Donald Regan meets the press on Social Security, by James Fallows

The Washington Monthly

JUNE 1984 • $2

I WROTE JOKES for Gary Hart

* * * *

MAKING MONEY with Walter Mondale

* * * *

LOSING MONEY with The Wall Street Journal and USA Today

* * * *

A Governor Takes on THE TEACHERS' LOBBY

* * * *

DIRTY HANDS: The Secret to Real Economic Recovery

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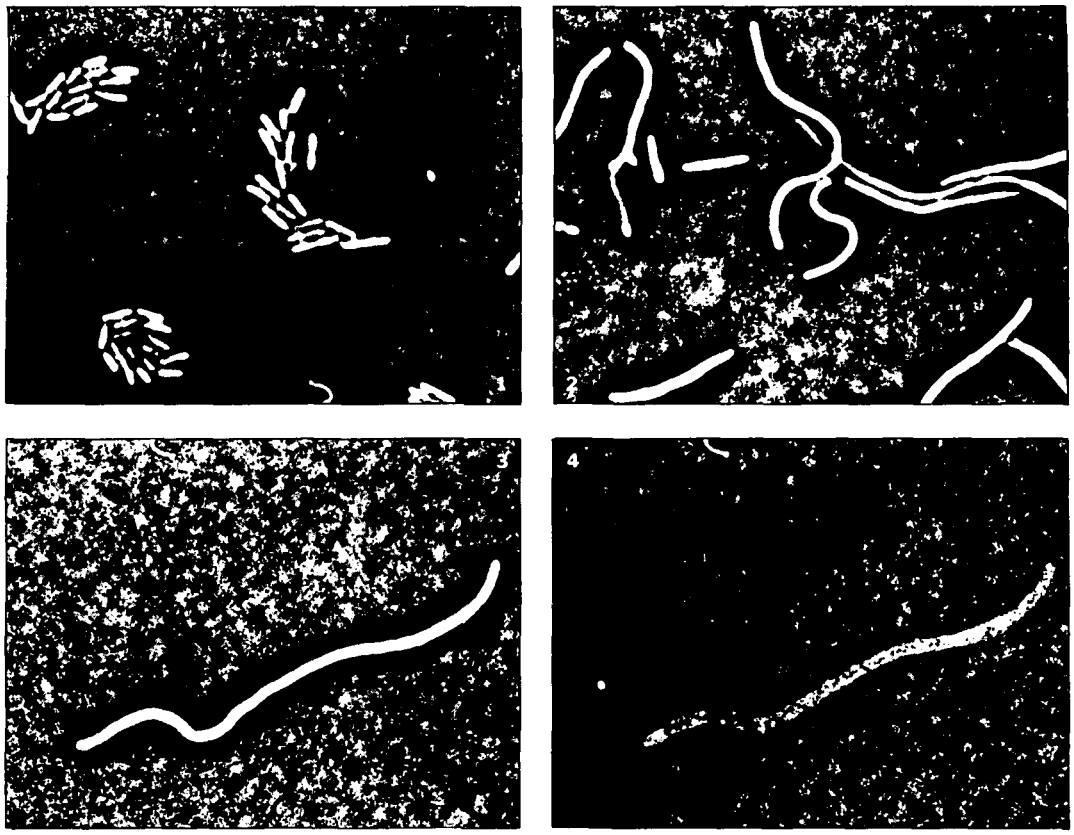

Bacteria in lab dish (1) elongate after addition of piperacillin, a new antibiotic (2); the cell wall of the microorganism weakens (3), then ruptures and dies (4).

...on infectious diseases.

Infectious diseases are the enemy—ranking fifth among the leading causes of death in the United States. More than two million people require hospital treatment each year for a wide variety of infections, adding an extra $1.5 billion in hospitalization costs alone to our country's already staggering health-care bill.

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Fortunately, research scientists have developed a new generation of antibiotics, including a semi-synthetic penicillin (whose bacterial action is pictured above), to battle against a broad spectrum of life-threatening microorganisms. These rapid-acting antibiotics provide physicians with powerful new weapons for their medical arsenals.

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LETTERS

Kinsley the Barbarian

Nowhere in Michael Kinsley's article ("Cockburn the Barbarian," April) on journalistic ethics does the author use the word "barbarian," nor does he imply that Cockburn is a lesser human being or even a lesser journalist. Kinsley's article is, in fact, a serious discussion of a serious topic. Nevertheless, Kinsley despises Cockburn's stance on the Middle East because it rubs against the Kinsley/Peretz "Israel uber alles" ideology. So Kinsley suggests a headline, "Cockburn the Barbarian," and you irresponsibly agree to print this slur on Cockburn's good name. You owe Mr. Cockburn and your readers an apology. It wasn't funny.

AL DANIELS
Washington, D.C.

Cheers to Michael Kinsley for his Cockburn article. I couldn't agree more about the fatuousness of some editorial ethics policies. I also can't see a thing wrong with Cockburn writing a book for Arabs, or with his not advertising the fact, although it might have been appropriate to inform his editor.

The reason I think so clearly is thanks to an article you published some years ago, by Taylor Branch, I think, pointing out that much of what is called "conflict" of interest is actually "confluence" of interest. If the devisers of these policies could go back to their fundamental intent—which in both journalism and government amounts to non-deception of the public about an individual's interests and motivations—a lot of this foolishness could be cleared up.

CONSTANCE HOLDER
Washington, D.C.

The editors reply:

"Cockburn the Barbarian" was intended to be ironic and also intended to be funny. We're sorry Al Daniels didn't like the joke. The earlier article Constance Holder remembers ("The Conflict-of-Interest Craze," November, 1978) was written by Kinsley, not Taylor Branch.

The Case for Moonlighting

I usually appreciate your magazine and its cogent critique of the American legal profession. The squib on Alan Dershowitz in the April issue ("Tilting at Windmills") is, however, a rather glaring exception.

After reprinting several damning paragraphs from James Stewart's *Wall Street Journal* article, you note that "Dershowitz may be innocent, but the fact remains that a lot of law professors are raking in lucrative fees in private practice while neglecting the students they are supposed to be teaching." It certainly diminishes the power of your argument to have as your only example a story which you openly admit may be inaccurate. If "the fact remains. . ." that "this mess" exists, why don't you provide some examples that you know are true? In my three years as a student at Harvard Law School, I didn't see much evidence of "this mess" or of any positive correlation between the teachers who can't teach and are indifferent to students' needs and those who take on outside legal work. In fact, the best teachers I studied with were people who were very much involved in outside activities.

Your simple solution that law teachers devote full time to teaching with an occasional foray outside the ivory tower is no solution, but it would have changed the history of American constitutional law. If it had been followed 20 years ago, I can imagine Herbert Wechsler saying to the *New York Times*, "I'd love to help you reverse that Alabama libel verdict, but my sabbatical doesn't come up for another three years. Why don't you pay Mr. Sullivan the $500,000 and wait for another case to make your point?" And in 1971, Alexander Bickel could have told the *Times*: "Hold onto the Pentagon Papers until 1977. I'll be on leave then, and would love to argue your case in the Supreme Court when I get the chance."

WILLIAM A. HUNTER
Cambridge, Massachusetts

Oops

Some future historian will be awfully confused when he picks up a 1948 *Chicago Tribune* to learn Dewey defeats Truman, and a March 1984 *Washington Monthly* showing Edwin Meese III appointed the U.S. Attorney General ("Who's Who").

HERMAN GORDON
Falls Church, Virginia

A Lesson for Teachers

For shame, Ms. Ohanian. Don't you want a disciplined, well-behaved, law-abiding, unimaginative citizenry in this country? How else can you get them if you don't select your teachers by their sheepish willingness to follow *the rules*? (" 'Yes, But Where Are Your Credits in Recess Management 101?' " April) You should have learned as an undergraduate that the purpose of the registrar and the bursar was to teach you to cope with the real world. Certainly anyone who finds it uncomfortable to do exactly as he or she is told is not fit to be a teacher of children who must grow up to do exactly as they are told.

B.J. LUBEROFF
Summit, New Jersey

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The Misunderstood Techie

Ted Isaacs makes a valid point about intellectuals in his letter on science and technology ("Letters," April), but only with several qualifications:

1)For *intellectuals*, substitute *literati*. Surely the professor of theoretical physics, toiling on paper and blackboard, deserves the title of intellectual, there being few pursuits so cerebral.

2)While it is doubtless true that people with great verbal and critical skills are sometimes unqualified to comment upon scientific pursuits, scientific discoveries of the basic sort come to be known, if only imperfectly, by the general public, and change human cultural life permanently.

3)Technology is another matter. Technology is, after all, invented by engineers, and everyone knows what boring grinds they are. Rather than a "blue-collar connotation" that leads to the disdain of tech, it is an unwillingness to be associated in any way with those humorless nerds who wear pocket protectors. After all, "intellectuals" feel sure that, even when fashion dictates the prole look, they won't be mistaken for workers once they open their mouth, so there's no need for anxiety.

WILLIAM W. HUNT
Dayton, Ohio

Keep on Truckin'

I've always felt your views were reasonable and well thought-out, hence my ten-year subscription. However, your comments on truckers ("Tilting at Windmills," April) echo your days as a knee-jerk liberal. I'm not a trucker, nor do I have interests in trucking, and I hate trucks on the highway as much as anyone else, but there are a few facts to consider before you suggest to the trucking industry that they go build their own roads and leave us passenger car operators alone:

1) Trucks pay substantial taxes for the privilege of using our highways, and, if the tax is not enough to cover the costs of their damage to adequately fund a replacement and repair reserve, increase the taxes.

2)If they are operating at an overloaded capacity and at excessive speed, then ask who is responsible for enforcing the law: Most truckers have historically been good drivers (and their stops have the best food).

3)The median strip does not exist in many interstate highways, especially in major metropolitan areas (viz., I-295). So you are basically suggesting building alternate roads, further destroying the natural landscape and creating additional costs for the consumer, who will ultimately fund the road building anyway.

4)The Interstate Highway System was built as a "National Defense" project. Efficient distribution of goods and services is as much an element of national defense as moving tanks from Topeka to Washington, D.C. Trucking operations have more justification to claim their activity is part of the national defense than passenger cars used for going to work when a Metro exists or cars used for Sunday cruises and trips to the hairstylist.

PETER K. ILCHUK
Key West, Florida

"Tilting at Windmills" must make one dizzy indeed. That's the reaction when trying to follow the logic of your item on twin-trailer combinations. "Twins" are mandated by the Surface Transportation Assistance Act of 1982 (STAA), which also increased the federal fuel tax on motor vehicles (gasoline *and* diesel) and three other highway taxes paid only by trucks.

Prior to STAA, only 14 states did not allow twins. The rest of the nation had allowed twins for *decades*, and federal statistics reveal that twins are just as safe as a typical tractor semitrailer. In fact, the U.S. Supreme Court, on two occasions in recent years, has ruled twins are safe. The Supreme Court in February of this year refused to let Connecticut ban twins for alleged safety reasons.

It strains the imagination to link the use of twins with an increase of accidents on the Washington, D.C., Capital Beltway since there have been *no* accidents involving twins on the Beltway. A recent industry survey shows that 71 percent of automobile drivers are no more afraid of trucks on the highway than they are of cars. Some 89 percent polled said they think the truck driver's overall safety record is as good as or better than the average car driver's.

There are few hard facts to support your passionate illogic that trucks tear up highways. Weather has a far greater impact than truck traffic. Just look at the significant increase in potholes each spring. Because of the impact of weather and the damage caused by freeze-thaw cycles, six Great Lakes states are seeking

YOU CAN HELP

Sometimes it's easy to forget how much **The Washington Monthly** depends on its readers. Our Memos of the Month come almost entirely from you. Clippings from local papers mailed to us inspire many of the items in Tidbits and Outrages and Tilting at Windmills. Readers also help us in countless other ways, calling with tips for stories, giving their friends subscriptions, or just making sure we're on the shelves of their local newsstands, bookstores, and libraries.

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additional federal funds to maintain and repair their roads.

The trucking industry has put highway contractors and engineers on notice that it is tired of taking the blame and picking up the tab for roadways that fail to hold up. The American Trucking Association has proposed to establish a monitoring project to protect the trucking industry's investment in highways.

Finally, as to the facetious suggestion that the medians of interstate highways be used for truck roadways, it must be remembered that all highway vehicles—cars and trucks—have paid for the roads with their fuel taxes. (Railroads, on the other hand, don't pay a federal diesel fuel tax.) However, if—as you suggest—trucks should be given these median strips without cost, much as the railroads received land grants, we assume you would also grant the trucking industry alternating mile-square sections of land such as the rails were given. And, of course, such grants would also contain mineral rights which the industry could sell after abandoning the highway.

If this were to come to pass, then perhaps we would agree with your final "tilt" in this item. . .that this arrangement would indeed mean fairer competition between trucks and railroads.

LANA R. BATTS
Washington, D.C.

Lana R. Batts is with American Trucking Associations, Inc.

If It's Broke

In his article "The Culpability Trap," published in your February issue, Jack Cloherty recognizes the incentive for neglect created when the repair of a problem can be used as evidence that there was a problem. The law has also recognized this "trap." In most states and in the federal courts, the repair of a problem cannot be used as evidence that there was negligence before the repair.

The law has also recognized other "culpability traps." That someone pays medical expenses resulting from an injury cannot be used to prove the person liable for the injury. That someone makes an offer to settle a claim cannot be used to prove the claim valid.

Despite the rule that repairs cannot be used as evidence of negligence, lawyers usually manage to get evidence of repairs to the jury. Though repairs cannot be used as evidence of negligence, they can be used as evidence on other issues, such as who owned the thing repaired or whether repair was possible. Juries are told that repairs can be considered on these other issues but not on the issue of negligence. In suits based on the theory of strict product liability some courts have held that evidence of repairs is admissible without restriction on its use because the issue in such cases is not "negligence" but whether the product was "defective."

In defense of the law's fudging on this matter, I can only say that it is difficult to draw a line here: on the one hand we want to encourage repairs by assuring repairers that their good deed will not be used against them; on the other hand we don't want to lose valuable evidence of negligence.

DANIEL W. HART
Des Moines, Iowa

Tribal Tribute

For want of a mandate to make Gordon Rayfield's "The Tribal Trap" (April) required reading for every student aspiring to political science (including, I hope, politicians), I extend my heartfelt thanks for his lucidity and pledge my continued support to help galvanize the ideology of common sense.

LARRY LEBLOND
Youngstown, New York

Tobacco Ruse

I am angry—very angry! Not only does the government take a part of my tax dollar to subsidize the tobacco farmer, but also a part for health care provided for Medicare and indigent persons who suffer the many illnesses caused by smoking ("The Cigarette Makers: How They Get Away With Murder" Ken Cummins, April). This says nothing of the cost to business to cover sick leave taken by smokers, for which I must pay the higher costs companies must charge to cover their expense.

I am not a smoker.

N.M. PIKE SEWARD
Osprey, Florida

After ten years' involvement in the nonsmoker's rights movement, I have more than a little experience in dealing with the tobacco industry and the media on the issue of smoking. I am happy to tell you that Ken Cummins' April article on the cigarette makers and their accomplices in the press was quite simply the best piece of its kind that I have ever read.

In the years that I have been active in this area, what has saddened me even more than seeing the consequences of smoking has been realizing how many

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otherwise socially responsible people are either oblivious to what is happening or are apologists for the industry. If 1,000 deaths a day from cigarette smoking is a national tragedy, then surely the uncaring and (all too often) knowing acceptance of the economic and political power of the industry by so many civic, cultural, and political leaders is a national disgrace.

PETER HANAUER
Berkeley, California

Peter Hanauer is past president of Californians for Nonsmokers' Rights.

Some Compensation

Teresa Riordan's article on the inadequacies of state workers' compensation laws ("Adding Insult to Injury," March) really rang true. I have seen in the Massachusetts workers' compensation system many of the ills she mentioned. The system is extremely litigious. Workers experience lengthy delays in the settlement of their cases because of insurance opposition and bureaucratic inefficiencies. The most seriously injured worker slips through the cracks.

In Massachusetts we are attempting to reform our workers' compensation system. And, I am proud to say, the Massachusetts AFL-CIO has been instrumental in bringing about this reform.

In 1982 we were able to secure the promise of newly elected Governor Dukakis that he would support this reform. And, in November 1983 he appointed a blue-ribbon task force composed of representatives from labor, the business community, and insurance companies along with attorneys and government officials to investigate the possibility of workers' compensation reform in Massachusetts.

Since that time the task force has made preliminary recommendations for an improved Industrial Accident Board (the board is the body that hears workers' compensation cases), for worker and employer education and for speedier processing of claims.

There are other areas in which labor would like to see reform where we are sure to encounter resistance from either the business community or the insurance industry. We would like to see cost-of-living increases for permanently injured workers written into the law. We would like these cost-of-living increases to be both retroactive and prospective. We would like the "caps" of 250 weeks removed from our temporary total and temporary partial benefits (with this cap on, injured workers' benefits automatically end after 250 weeks, without regard for whether the worker is ready to return to work—for seriously injured workers, this presents a problem). We would like increases in benefits awarded for specific injuries (i.e., loss of an arm). The schedule for these specific injuries in Massachusetts is notoriously low.

ARTHUR R. OSBORN
Boston, Massachusetts

Arthur R. Osborn is president of the Massachusetts chapter of the AFL-CIO.

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Editors Timothy Noah, Jonathan Rowe.
Contributing Editors Jonathan Alter, Thomas N. Bethell, Tom Bethell, Marjorie Boyd, Taylor Branch, Gregg Easterbrook, James Fallows, Robert M. Kaus, Phillip Keisling, Michael Kinsley, Nicholas Lemann, Suzannah Lessard, Arthur Levine, Joseph Nocera, Thomas Redburn, Leonard Reed, Walter Shapiro.
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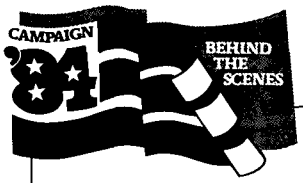

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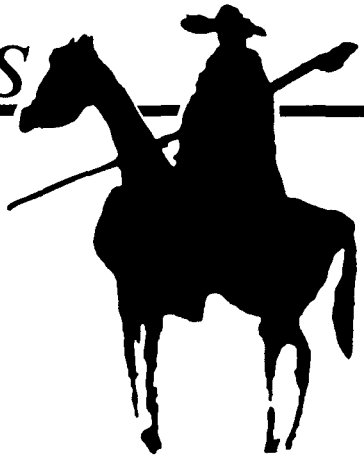
TILTING AT WINDMILLS



If women's groups really want to help women who want to work but also want to care for their children, an increase in the number of part-time jobs is essential. And that means NOW and its allies are going to have to take on the AFL-CIO and other unions. Organized labor is the principal opponent of part-time work. Often the resistance is strongest, as in the case of postal and transit work, where part-time employment makes the most compelling sense. The Postal Service, for example, has a requirement, ardently backed by the unions, that 90 percent of all its work be performed by full-time employees....

Another group that is going to have to take on organized labor is blacks. Racially discriminatory practices still are common in the building trades and many other unions, and the union-supported minimum wage is one of the most serious obstacles to the employment of black teenagers. There are signs of awakening on this issue. The National Conference of Black Mayors, at their April convention in St. Louis, endorsed the Reagan administration's plan for a subminimum wage for young people who work in the summer. The administration's plan would permit employers to pay young people aged 16-21 $2.50 an hour or 75 percent of the minimum wage. The black mayors said they supported the plan because of "the persistence of the tragedy of youth unemployment, particularly the problem of minority youth unemployment."...

USA Today comes in for some severe and, I think, deserved criticism in the article beginning on page 37 of this issue. But there is at least one element of *USA Today* that deserves high praise. It is the sports section, which is, I believe, the best in the country. For example, on the day before the Kentucky Derby, it gave its readers the kind of information about each entry that is usually available only in the *Daily Racing Form*. Its coverage of pro football and baseball tells how every score was made by every team. *The New York Times* and *The Washington Post*, by contrast, give you this information about only the local teams, even though both publications have readers from all over the country. Basketball fans tell me the *Post* and the *Times* are even weaker in their coverage of that sport. Ben Bradlee and Abe Rosenthal should be embarrassed....

The California Assessment Program ranks California high schools on the basis of a 31-question test given to students. One of the questions illustrates why Arkansas teachers worry (see page 47) about the competency test Governor Bill Clinton is proposing for them:

"Which of the following words or groups of words is MOST general? 1) basketball, 2) team sport, 3) athletics, or 4) sports?"

Most of us would sail past 1) and 2) without trouble, but 3) and 4) stopped me dead in my tracks. As David Savage, an education writer for the *Los Angeles Times* points out:

"There are some activities, such as jogging around the block, that are athletic, but are not sports. But some sports, such as chess and auto racing, are not athletic."

So what's the answer? The California authorities say "sports," and mark wrong the answer of the 33 percent of the students who chose "athletics."

I support, rather than oppose, efforts like Governor Clinton's to evaluate teacher knowledge and performance. But I think that support carries with it the responsibility to scrutinize carefully the various ways such evaluation may be carried out.

The student has always known that tests can be unfair. Now that teachers are faced with being tested themselves, perhaps they'll have more sympathy for that transfixed student to whom those ambiguous answers 3)

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and 4) are the weaving head of a cobra, certain to strike at whatever move the student makes....

For those law firm members and associates who have become a bit concerned about the downward trend in their business, Prentice-Hall is offering a new handbook. It's called *7 Tested Ways an Attorney Can Get Top Dollar Clients Fast*. It promises to explain "how do you get them in the door without giving the impression you need them."...

Jamie Malanowski's article beginning on page 28 of this issue suggests that Gary Hart's sense of humor may not be his most impressive asset. Still there is one Hart joke that I liked. It came during the Tennessee primary, while he was addressing a fundraiser at the Opryland Hotel:

"So if everyone here will go out tonight and call ten friends and ask those ten friends to call ten friends of theirs and ask those ten friends to call ten friends of theirs—pretty soon we'll have an Amway distributorship."...

Here's how Walter Mondale's campaign organization carried out his order that his delegate committees that were evading campaign financing laws be "terminated period." Ten days after the instruction was given, *The Washington Post*'s Tim Kenworthy called Charles Ryan, the head of a suburban Maryland Mondale delegate committee. Kenworthy had learned that the committee was still in operation and asked Ryan when it would stop. "We're in the process of closing down," Ryan told him. "We will be closed down by May 10." The Maryland primary was held May 8....

I seldom venture into such areas as municipal planning and urban zoning. This no doubt is the cause of considerable gratitude among those readers who recall my last excursion into the field—my suggestion that all banks be located on the top floors of their buildings so that the street level would be available for interesting shops and bank robbers would be deterred by the need to wait for the elevator before they could make their getaway. Anyway, I now have another proposal. It is prompted by the troubles of a beloved Washington institution, the two Sholl's cafeterias. One has been forced to relocate away from its former, central location, and the other is being closed down by greedy landlords, who want to use the space for more lucrative purposes. The two cafeterias have been legends to generations of Washingtonians and visiting tourists, who found good, wholesome meals there for prices that ranged from reasonable to downright cheap. You would find a fascinating mixture of people at Sholl's, people from every class and every race. We need many more Sholl's, not fewer of them. As things stand today in downtown Washington there is little middle ground between the fast-food chains and La Maison de la Casas, where $50 might be enough to pay for your lunch.

Okay—so what can we do? I see the solution in the Washington building code that limits buildings to 12 stories. Why don't we give the builder an extra floor in return for a moderately priced cafeteria or restaurant on the ground floor?...

Speaking of office buildings, whatever happened to the General Service Administration's space reduction program? It, you may recall, was supposed to cut down on the cost of federal offices by reducing the square footage allotted the average employee from 166 square feet to 135 and by housing agencies in buildings owned by the government instead of leased so that "at the end of a ten-year period," as one congressman put it, "we would have more than rent check stubs to show for it."

This year, according to *The Washington Post*'s Myron Struck, the government will not only not reduce the number of leased buildings in Washington, it will increase them from 18 to 23. The five newly leased buildings will use 1.1 million square feet to house employees who now occupy 917,124. Struck also found that the GSA proposes to continue leasing space at 1717 H Street to house 411 OPM employees, even though 124 of them moved out two

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months ago.

Still more interesting is the GSA's proposal to lease 110,000 square feet for ten years to house the Civil Aeronautics Board. The CAB is scheduled to go out of business on January 1....

Those of you who read Phillip Keisling's "The Case Against Privacy" last month will be interested to learn of the troubles OMB is experiencing in trying to regulate lobbying expenditures by federal contractors. OMB, acting on what seems a sensible assumption that the government should know how much money its contractors spend on lobbying it, proposes to require contractors to reveal these amounts, identifying them separately from their other costs. But the chairman of the House Government Operations Committee, Jack Brooks, and the ranking minority member, Frank Horton, oppose the provision. Why? They say it's an invasion of privacy....

The Washington Post's Jerry Knight recently came across a perfect example of how consultants can succeed without really trying. The secret, of course, is to forget about doing any real work and tell the client what he wants to hear. In this case, the Reagan administration had hired Coopers & Lybrand to advise the District of Columbia on how to promote international business development in the city. The report, which cost $80,000, recommended that "within a year [the city] should target two or three countries for official visits by the mayor or other high-level city officials"....

The Dallas County Historical Association is seeking $3 million to restore the Texas School Book Depository Building from which Lee Harvey Oswald fired the shots that killed John Kennedy. Among the parts of the building to be restored are the area in the rear of the sixth floor where Oswald's rifle was found and the second floor lunchroom where Oswald appeared minutes after the president was shot. If planning continues at this level of taste it won't be long before we are asked for another $3 million to finance the acquisition and display of Oswald's mummified remains bathed in colored lights with organ music softly playing in the background....

If the government is not doing so well on its space reduction program, is there better news from the paperwork reduction campaign? It certainly seemed so when on January 30 the FDA announced in the *Federal Register* that it would no longer require four copies of a certain kind of application. The news became a trifle less heartening when the announcement went on to say that the original and two copies would be required. But still we should be thankful for progress. Right? Well, that's what we thought, too, until a medical trade publication discovered that in all of 1983 there was only one such application....

If you're an aficionado of bureaucratese, you will appreciate the words with which the CIA confessed its involvement in the Nicaraguan mining. The mining had been carried out, it said, by "unilaterally controlled Latino assets"....

There are, I should concede, a few cheap restaurants left in downtown Washington. The problem with most of them is that the tables are so close together that you and the occupants of the adjoining tables are inevitable eavesdroppers on one another's conversations. This can be inhibiting in the extreme to a potential whistleblower with whom one is lunching. One hand cupped to the side of the mouth does no good if there are people on both sides of you. It also has the disadvantage of strongly hinting to his bureaucratic enemy across the room that he is spilling the beans to a journalist. Sometimes the source will sit silently until the people at the adjoining table turn to address the waiter, then lean forward, and with a delivery that combines machine-gun rapidity with a tone softer than a whisper, try to confide his entire message in 60 seconds. But the source often clams up and the entire lunch is wasted. Except that it has made it possible for me to become a student of the conversations at the next table.

Of these I find I most enjoy romantic disputes that are resolved by the conclusion of lunch. They

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combine suspense and a happy ending. But I must confess that I also enjoy hearing some unpleasant lecher have his proposition rejected by a sweet young thing whose occasional sidelong glances suggest, or so I like to imagine, that she wishes I were in his place.

Seriously, there is one thing that really worries me about these conversations. It is how little real communication occurs. People talk at one another. I tell you what I did yesterday. Now it's your turn to tell me. I'll tell you my views on Mondale, now you tell me yours. Each of these exchanges is followed by another of the same kind. Rarely does a theme emerge in which one person says something that the other actually hears in a way that inspires new thought and a response that in turn stimulates new understanding....

Foundations deserve a lot more criticism than they get. One reason is that many writers and editors who have the talent to do a proper job of skewering organized philanthropy have their own applications for additional funding pending and don't want to bite the hand that might feed them. If the writers and editors are strangely quiet, one of our leading philanthropists has spoken up. He is J. Irwin Miller of the Cummins Engine Company.

"As the world around us becomes more confusing and, in many ways more terrifying, foundations appear to be impelled to play it safer and safer," he says. "Increasingly we fund conferences and studies whose proceedings immediately begin their long accumulation of dust on some library shelf, but also cause no criticism and are good for some nice lunches."...

For Washingtonians who are curious about how the local Metro Transit Authority can seem so unconcerned about the fare increases it inflicts on the rest of us, here is the explanation. 7,400 Metro employees, 500 retired Metro employees, and 62 present and former members of Metro's board of directors all have passes—they ride for free....

Will there be blood on the hands of Elizabeth Dole and Donald Engen? They will be responsible, as secretary of transportation and head of the FAA, if the FAA continues to let the number of rush-hour flights grow. We now have 9,800 air controllers doing the same job that 13,133 did before the strike. They cannot handle the peak loads that the larger group was able to deal with. This fact was recognized by the FAA immediately after the strike, when it restricted rush-hour traffic. We hailed the move both because it increased safety and decreased costs (the 13,133 were needed only because of the peaks). But since then the FAA has relaxed the peak hour restrictions. The result has been overworked controllers who are making too many mistakes. One that was widely published was the near-miss between two Pan Am jumbo jets off Florida in January. Another is what happened to Gilbert Merritt, a federal judge, while piloting his twin-engine Navajo. It was unknown until this report by Christopher Conte of *The Wall Street Journal*:

"He was near Chicago when suddenly he saw an American Airlines Boeing 727 just a quarter of a mile away, rising quickly toward him. In the next instant, the jetliner banked sharply to avoid a collision, flashing its silver belly at the judge. 'When you see something like that out there, your heart jumps into your throat,' Judge Merritt says. The two aircraft came so close that he remembers feeling a bump as the larger plane's wake hit him."...

Did you read that Archibald Cox is being forced to retire from the faculty of Harvard Law School because of his age? We have compulsory retirement because administrators dread having to say, "Archie, you just don't have it anymore." The trouble is that all the Archies who still have it are tossed over the side to spare the feelings of those who don't....

For a variety of reasons, in some legal cases the lawyers involved on one side or the other must ask the judge to set their fee. Since judges used to be lawyers themselves, they tend to view such applications benignly. In *McCarthy* v. *United States*, for example, the lawyers for a plaintiff who got $4,742 in his suit were awarded a fee of $15,169....

Stuart Eizenstat was considered a liberal when he worked in the Carter White House. Now, he's a lawyer-

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lobbyist, representing, among others, luxury car manufacturers, and helping defeat a proposal in Congress that would have allowed a business deduction for only the first $15,000 value of a car. . . .

One of our complaints about psychiatrists is that instead of curing us of the sickness of greed, they are constantly inspiring us with new examples of how to make an extra buck. The latest: Just when we had all become accustomed to the fact that to a psychiatrist an hour meant 50 minutes, the 50 minutes has changed to 45. *The New York Times* reports that the change is now the accepted practice and explains:

"By working from 8 a.m. to 6 p.m., with an hour's break for lunch, a therapist who sees patients for 45 minutes back-to-back, can have 12 clients, while the one who adheres to the 50-minute hour with ten-minute breaks can see only nine clients.". . .

As all of us who love mysteries know, murder is a crime for which the possible motives are inexhaustible. The latest evidence of this truth comes not from fiction, however, but from real life.

In federal court in Alexandria, Virginia, a 26-year-old soldier has pleaded guilty to a charge that he conspired to murder his wife. Why had he done it? His religious beliefs, he explained, kept him from asking for a divorce. . . .

If you have worried that the American steel industry is not summoning all the resources at its disposal to win back the steel market from the Japanese and Koreans, consider this beginning of a letter from USS Realty Corporation: "Dear ----: Quite simply you must act now to secure a homesite in one of the last unspoiled tidewater settings: Swan Point."

The letter is of course a real estate sales pitch from USS Realty, which happens to be a subsidiary of the United States Steel Corporation. Instead of modernizing its plants in Pennsylvania, it is hustling lots in Maryland. . . .

In 1982, Linda Sharon Tucker agreed to pay a local car dealer, Bill Cairns Pontiac, $6,430.50 for a 1979 Monza. The problem with this price was that it was $3,630.50 in excess of the Blue Book value of the car. But that was minor compared to the fact that the car had been irreparably damaged in a crash eight months earlier. The State Farm Insurance Company had written it off as a total loss and sold the wreckage to a salvage dealer in North Carolina. According to *The Washington Times*' Arlo Wagner, to whom I am indebted for this story:

"Ms. Tucker said she began complaining about the car within one month after she purchased it, but a steering problem never was repaired. She said she took the car to the Cairns company four times in five months. She finally stopped driving the car when the right front wheel fell off." Our readers in the Washington area will recognize Mr. Cairns as the dealer whose television commercial features a letter from a woman warmly thanking him for the wonderful treatment she was given by his dealership. . . .

In the build-em-up, tear-em-down of modern American campaign reporting, it seems to me that Gary Hart has suffered the most so far this year. But a similar phenomenon has also hurt Jesse Jackson. It has been a tendency of reporters to, on the whole, treat him too gently to avoid the charge that they are prejudiced, but to try to atone by criticizing him bitterly when he himself appears to be guilty of prejudice. What the press has not done is take Jackson seriously as a presidential candidate or attempt to give him or his views the balanced and thorough reporting they deserve. We are among the guilty. For instance, Phillip Keisling and I approached *The Washington Post* with a proposal for an article advocating an open convention. It would say, we told the *Post*, that everyone should vote for Hart in the remaining primaries and caucuses so that an open convention would be possible in San Francisco. The *Post* editor asked why we didn't say Hart *or* Jackson. We thought about it and concluded he was right. So we put Jackson in, but then the same *Post* editor cut everything in the article that was favorable to Jackson, leaving only our negative comments. Knowing the editor, I am convinced that his sin was as unconscious as our original one, but the result was that the following

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material was omitted from the piece:

"Jackson has played an historic role in transforming the views of black Americans toward voting—from a legal right to an emotional commitment. Jackson's continued presence in the race is also important because, on some issues, he deserves to have influence at the convention. For example, he is more forthright about the need for a Palestinian homeland. He is the only candidate proposing drastic and long overdue reductions in our military commitment abroad, demanding that our allies pay a fairer share of the rest of our mutual defense while urging that the U.S. make no new commitment where we are not threatened."...

By now everyone has heard about the Kafkaesque bureaucrat who kept insisting that an emergency telephone caller put his dying mother on the phone. Now another less widely publicized tragedy has occurred in a similar situation. This time a nine-year-old girl, who was alone with her younger brother in a burning house in a suburb of Richmond, Virginia, spent the 50 minutes before she died trying to get a fire truck dispatched by emergency operators. This time the operators weren't bureaucratic; they wanted to help but couldn't get an accurate address from the child. But why didn't they tell her to take her brother and get out of the house? The answer, according to a Richmond official, is a judgment call. There is no rule about telling people to leave the scene of a fire. It's up to the dispatcher....

Had you ever thought of Jane Fonda as a source of spiritual guidance? Well, neither had I, that is until I watched her being interviewed by Barbara Walters a few weeks ago and was struck by the contrast between her comments on her father's death and a similar response by the model, Christie Brinkley, on the same show. Brinkley, when asked what thoughts the death of her lover had inspired in her, replied that it made her think how fortunate she was to be alive. Fonda, on the other hand, said thinking about death made her think a lot about how she was living her life, about what she was doing for her family and for others, about what her life would add up to when the end came. I liked that....

I dedicate the following excerpt from Irwin S. Cobb's memoir, *Exit Laughing*, to all of you who read Teresa Riordan's account in these pages of the millions we are lavishing on the luxurious retirement of our former chief executives ("The Imperial Ex-Presidency," April 1983). The episode concerns a train trip Cobb took around the time of World War I:

"I climbed aboard a day coach, to be greeted by the familiar scenes and smells—dust clouds sifting in the open windows and ashes and acrid smoke and gushes of humid heat; fretful, sourlooking babies crying; men and women crowded together and curled up in tortured attitudes; snores and choked grunts; and underfoot, trampled food fragments and slimy fruit peelings, and a heavy sprinkling of anthracite cinders which made a crunching, gritty sound when trodden on; and the superimposed layers of fine grime so deeply imbedded in the faded upholstery that putting your cheek to it was like pressing against some sort of furry sandpaper. I found a vacant place, the last one available, and hunched down in it. Leaving the next stop but one, I was aware of the very broad back of a man who stood in the aisle a little forward of me. He straddled a heavy suitcase which he must have lugged aboard without aid, for his globular sides were heaving and he was giving little grunts and panting sounds....Where he had halted I couldn't see the new passenger's face, but from the wearied slump of the rotund form I figured he wasn't young.

"I tried to forget the figure he made; I was pretty tired myself and powerfully drowsy and most earnestly desirous of catching 40 winks or so. But the sharp elbow of conscience kept nudging me. I have been reared to have respect—and some consideration—for my elders. I bent forward and touched him and he turned a ruddy, sopping-wet, dirt-streaked face upon me and it was William Howard Taft. If any of our fellow travelers ever before had seen him, or his picture, they either had forgotten or, seeking their own ease, chose to ignore his presence. Yet here he was, only a few years out of the White House."

—*Charles Peters*

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NOBEL FEVER:

Why The Enginee Left The Shop Flo

Bruno Weinschel is the president of Weinschel Engineering, a suburban Washington high-tech firm that makes specialized microwave equipment of such high quality that he exports it to West Germany and Japan. He has strong ideas about how to run a company. He shares profits with his employees and provides for their continuing education because they are, he says, his most valuable assets.

On numerous occasions large companies have tried to buy him out, for very large sums of money. He has refused. "There is more to this than money," he says, pacing his den-like office, which has piles of papers and technical journals on just about every horizontal surface, including the couch. There is a laboratory across the hall.

We were talking about engineering and where the U.S. is going wrong in this regard. Weinschel is very concerned about the kind of engineers we are graduating from our engineering schools. "Before I could graduate," he recalls of his student days in Germany, "I had to go through a half-year practicum [practical experience] at the Carl Zeiss Company. I had to get my hands dirty. Today, we don't make them get their hands dirty."

This remark made me think of a conversation I had months before, with a retired engineer from a very different industry—steel. In Carl Swift's day, steel had been the mother lode, and he came up the old way, starting as a carpenter at the Weirton (West Virginia) Steel Company during the Depression and taking technical courses in

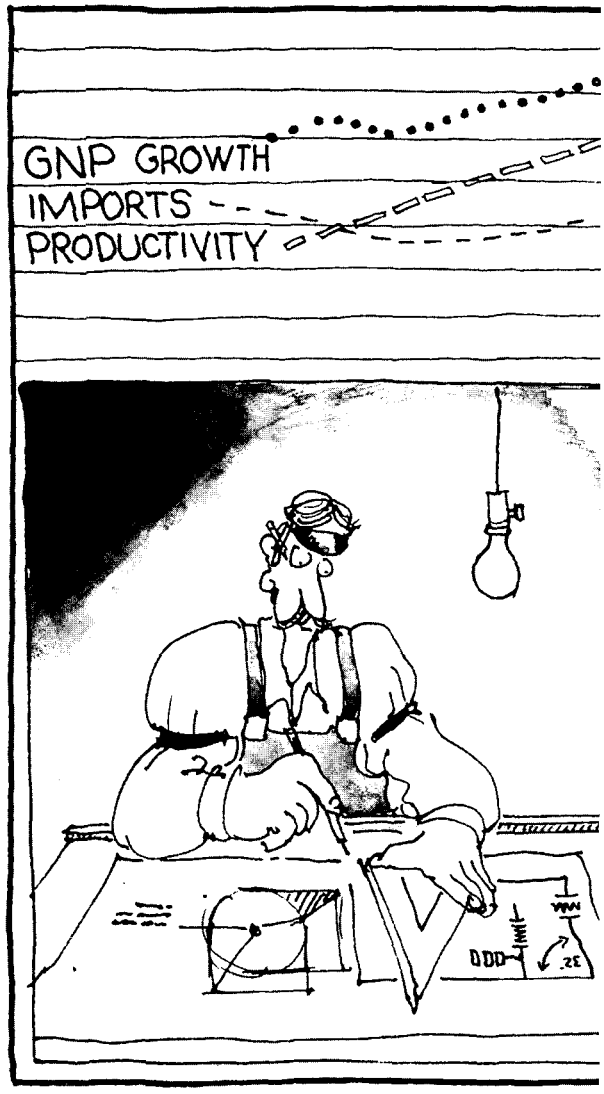

Illustration by Andy Myer

ENGINEERICUS TINKERUS

BY JONATHAN ROWE

Jonathan Rowe is an editor of The Washington Monthly. *Jamie Merisotis provided research assistance for this article.*

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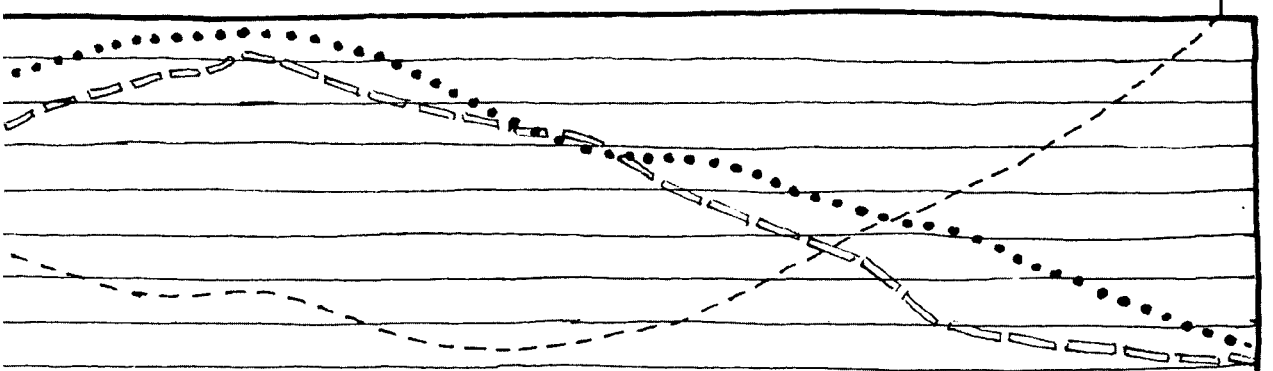

ENGINEERICUS INDUSTRIOUS

ENGINEERICUS RESEARCHICUS

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electroplating at night. "I was a nosy type of person," he said. "I liked to improve the machinery." Ultimately, he became one of the company's chief trouble-shooters and helped develop the processes that made Weirton a synonym for tin plate of the highest quality.

On this particular day, Swift was giving me the tour of Weirton's facilities, which are spread out over town. He stopped his car at a hangar-like structure in what looks like an industrial park. "That's the training center," he said. "We can put people on the lathe in there and determine what they can do, not just by a diploma, but by actual experience."

For no particular reason, I asked him if he felt this approach was being neglected today, if Americans were putting too much weight on academics. Like Weinschel, Swift is a courteous and deeply thoughtful man who follows a question intently, his eyes focusing inward as though trying to grasp the principle of a machine. This one seemed to touch a chord. "Too many people try to work out the problem who have never worked the job," he said. Then, as though addressing the world outside that car, he added, "Go out and get your hands dirty and your fingers burnt. It'll teach you something that the books won't."

A Trophy

If you are only a casual reader of the national press, you may well have the impression that we have become a nation of laggards in the technology arena, left in the lurch by the eager-beaver Japanese. Not so. We still have about twice as many engineering researchers as does Japan, and through the seventies we maintained four times the level of technical activity measured by patents, value-added in manufacturing and the like. Japanese research and development comprises less of the gross national product than our own. Our government is more active, too, funding twice the percentage of overall R&D as is the case in Japan. Engineering school enrollments actually doubled over the last decade.

Then why the litany of industrial decline that has become so depressingly familiar? Why can't we build a television set or a car to match a Sony or a Honda? Why have we lost half our market for machine tools, when not long ago we made, indisputably, the best in the world? Why is half the sewing equipment used in American textile mills foreign-made? Why did the H. J. Heinz Company resort to buying a German-made labeling machine, explaining, "There's no American equipment that is comparable?" Why did Hewlett-Packard determine that Japanese-made microchips were at least twice as reliable as the ones made here?

Well, let's consider another fact. Since 1950, the United States has won more than 50 Nobel prizes in chemistry and physics, while West Germany has won ten and Japan only three. Yet another sign that we are doing better than we commonly acknowledge? Not so fast; it depends what game you are playing. Great Britain, after all, is number two in Nobels, far ahead of West Germany and Japan, and it has hardly been a model of economic prowess. A parlamentary inquiry into the state of engineering in that country, called the "Finniston Report," saw the problem. "Graduate engineers lack the qualities of practical application and understanding of industry," the report concluded. "Employers reported some reluctance among [engineering] graduates to work in production." The same, unfortunately, may be said of ourselves. The Nobel prizes are an honor, but they are also a symptom of an approach to engineering in this country that is not all for the best. As Chalmers Johnson, author of *MITI and the Japanese Miracle,* and a professor at the University of California at Berkeley put it, "We are pursuing 'Nobel Prize' R & D while the Japanese and others are pursuing 'Engineering' R&D." We get the trophies, while they make the sales.

It takes a while for that thought to penetrate. Not so long ago, we were the practical craftsmen, the ingenious Yankees. Remember your social studies textbooks? France had Pasteur and Currie, Germany had Einstein and Planck. But we had our workshop wizards such as Edison and Goodyear, Singer and Bell, and who cared who got the prizes? Henry Ford "hated abstract learning because it was 'non-productive' and because he possessed none of it himself," a contemporary observed; but he, or at least his company, built an automobile that worked and that millions of people wanted. Such inventiveness, combined with our vast resources, was a foundation of our economic strength. The untutored genius of an Edison or Ford could not carry us forever; the time came when it was necessary to crack the books. But the ideal of applied science, of learning connected to the needs of the people, could and should have prevailed.

It did until World War II. Then the direction of our engineering endeavors began to change. It happened so gradually that most Americans weren't even aware of it. But to a foreign visitor coming back to this country after a 30-year

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absence, the change was dramatic. In the 1950s, when the change here had not yet appeared above the ground, Hisashi Shinto was employed by a Japanese shipbuilding company, and he came to America to find out what made us so successful. "The United States had higher productivity, even though your wages were five times higher than they were in Japan," Shinto explained later. "Your side was extremely competitive in turbines and main generators—and they were of such high quality!"

Shinto recalled what he found. "Your young engineers were working in the workshops, along with the workers," he said. "The engineers knew the production program, and they knew how to use machine tools. Because they knew the production process in detail, they were able to get greater productivity and high quality."

When Shinto returned to Japan, he and other managers installed this approach into their workplaces. Every graduating engineer was put to work in the factory before he did anything else. While the reasons for the Japanese economic success are many, this step surely contributed to the remarkable quality of their products. Yet when he came back to America in 1980 (this time as president of Nippon Telephone and Telegraph, the Japanese AT&T) he found it very different in this respect than in the 1950s. Now, he observed, American engineers "get into computerization, not into the workshop. . . I didn't find the same kind of intelligence in the workshop." Jean Mayer, president of Tufts University, lamented the result. In *Science* magazine in December 1982, Mayer wrote: "Steel companies are arranging for Japanese engineers to install the process controls they have been unable to plan internally. Domestic companies seem incapable of engineering such relatively simple products as subway cars. . . . Foreign automobiles, particularly Japanese ones, are preferred by a large part of our population."

There are a host of reasons for this drift, and the cataloguing of them has become something of a national pastime. One looms larger than the others, however. It is the federal government.

The old elitism of the universities provided fertile ground for the millions of dollars the federal government began to bestow on them, first for the space program and nuclear development, and later for high-tech defense. These turned our best engineering minds away from factories and bridges and towards the rarified realms of what is called, often disparagingly, "engineering science." This sounds like the sort of thing you'd expect from knee-jerk, anti-weapons types when they want to sound practical. But you hear it from engineers themselves. As Lewis Smullin of MIT put it, "The Japanese aren't wasting brain power investing in Star Wars and MX missiles."

Moon tune

Indeed, when you subtract out our space and defense R & D, which is close to one-third the national total, then the amount left over lags behind both West Germany and Japan, which spend only 8 and 2 percent on space and defense respectively. (Great Britain, the other Nobel prize champ, spends almost as large a share on space and defense as we do.) This gusher of federal money has twisted the enterprise of engineering itself, especially at the schools at which engineering is taught. There is a story that former MIT president Jerome Weisner pleaded with then-President Kennedy not to embark upon the space program for precisely this reason. Kennedy of course persisted, and the influx of NASA dollars, to be joined by those from the Department of Defense, insinuated themselves into the nation's engineering schools in a way that Bernard Roth, engineering professor at Stanford University, has described:

"Once they (the schools) obtained contracts," Roth said, "the faculty needed students to do the research, (and) the result was an expansion of graduate programs. Furthermore, more funds meant a university could hire additional faculty, who in turn could raise funds. They in turn then needed more graduate students. In this way MIT, for example, was able by 1970 to quadruple its faculty, increase its graduate student population by almost six times and its sponsored research funding to over nine-thousand times the 1938 levels."

This research army was marching largely to the tune of the federal contracts that were feeding it; and as the engineering schools found ways to charge their general operating expenses onto the research contracts, they became hooked. Faculty were hired in part on their potential for attracting research grants, and were expected to bring in a set amount each year. Meanwhile, research-oriented faculty sought out more people like themselves, so the "swing perpetuated itself," in the words of Jim Adams, an engineering professor at Stanford.

"People tend to teach what they are researching," said Joel Yudkin, a former Lockheed engineer who is now with the Mid-Peninsula

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Conversion Project in California's Silicon Valley. As the NASA- and Department of Defense- funded research projects became more esoteric and remote from life needs, so too did the curriculum. "Before the war," Adams explains, the curriculum was "empirical. There was lots of drafting and attention to machinery." The federal dollars changed that. "Courses that emphasized design, manufacturing, and drafting were pretty much dropped." At the same time, facilities for teaching these became out-of-date. In many schools mechanical engineers do not have to learn how to weld and civil engineers do not have to learn how to survey. And while these changes were most pronounced in the prestige schools such as MIT and Cal Tech, as they go, the others tend to follow. Eugene Ferguson, who taught engineering for 20 years at Iowa State before changing to the history of science at the University of Delaware, recalls that "you planned your research so it would be the kind that was fashionable. You [weren't] going out to the boondocks to improve the capability of local industry."

As the engineering curriculum changed, so too did the spirit of the schools themselves. The sense of hierarchy to which academia is always inclined became more pronounced. "The totem pole of status," said Ferguson, "has the physicists at the top, the electronic engineers next, and so on down to the industrial engineers at the bottom." The engineering schools used to be places for problem solvers, but now a "scientistic culture" began to prevail, in which research was valued more than invention, according to one midwestern engineering dean who asked not to be named. "The faculty is judged by the number of papers they write, not by whether they solve problems." Adds Adams, "The theory people rule the academic roost."

While the disparagement of practice is regrettable in any field, in engineering the consequences have been especially grave. "The engineering schools used to have tinkering places," says Yoshi Tsurumi, a professor at Baruch College, who has studied carefully the reasons for America's economic misfortunes. "When they relegated manufacturing engineering to the community colleges and the technical schools, it was the beginning of the demise of American manufacturing."

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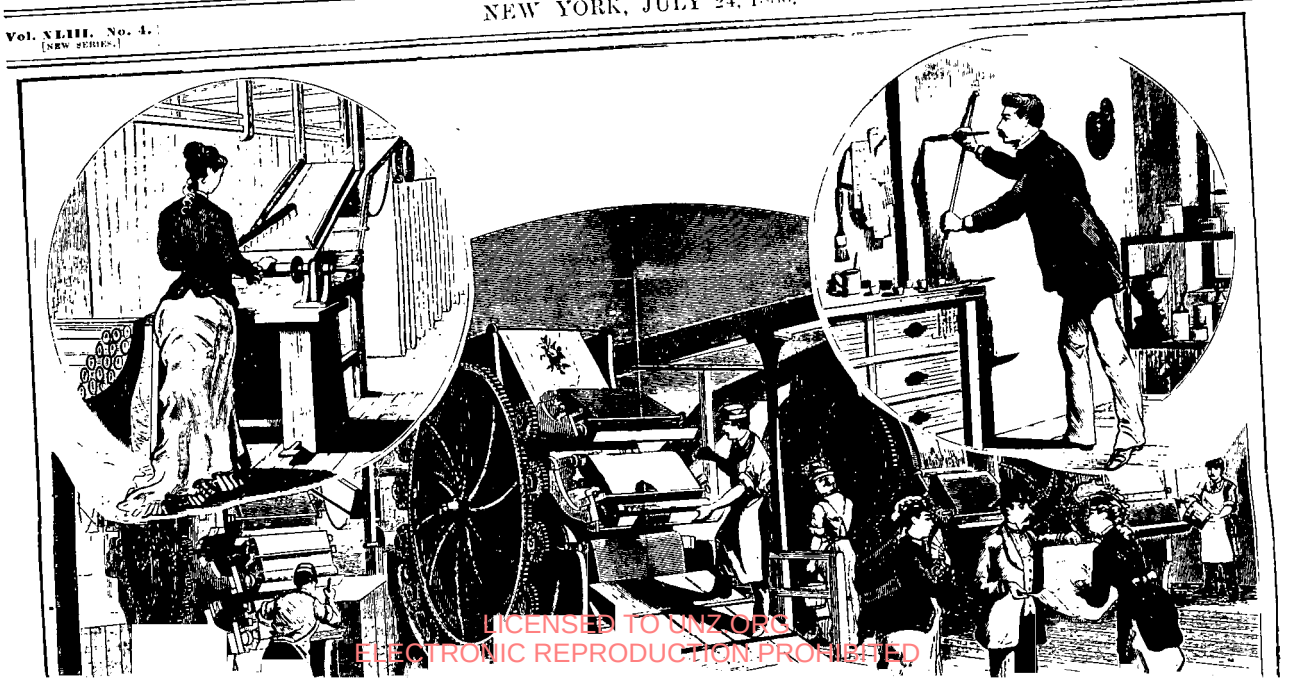

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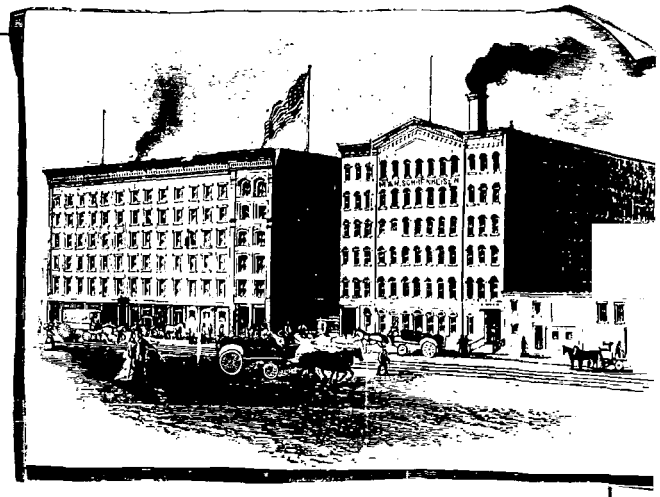
In this drift to what the dean of Fresno State engineering school calls "psuedo-scientific" engineering, the engineering schools themselves were only-too-willing accomplices. From the beginning, engineers have suffered from an acute status problem in American academia. Originally rejected from such citadels of learning as Harvard College for dealing in practical matters ill-suited to the education of a gentleman, they had to strike out on their own. The Massachusetts Institute of Technology arose in part from nearby Harvard's reluctance to soil its scholarship with utility. When one Ira Remsen, a chemistry instructor at Williams College, requested funds for laboratory equipment, he was told to keep in mind that Williams was a "college and not a technical school.... The object aimed at is culture, not practical knowledge."

Historian David Noble points out in his book, *America by Design*, that by the turn of the century when engineers had gained admittance to the academy, they were still treated as second-class citizens, even by the physical scientists with whom they were once allied. "Ironically," Noble observes, "the scientists with their newly won respectability often enough lined up with the classicists against the technical educators across town." MIT president Francis Amasa Walker gave eloquent expression to the resulting frustration engineers have felt, then and now. "Too long" he wrote in the *Educational Review*, "have we submitted to be considered as furnishing something which is indeed more immediately and practically useful than the so-called liberal education, but which is, after all, less noble and fine....Too long have the graduates of such schools been spoken of as though they had acquired the arts of livelihood at some sacrifice of mental development, intellectual culture, and grace of life."

Partly in reaction to such indignities—though also because engineering was becoming more sophisticated—the schools stressed "engineering science" more and more, leaving practical training to the employers. Still, the curriculum was geared heavily to production, and respectability was hard to come by. During World War II, Vannever Bush, Dean of Engineering at MIT and Director of the Office of Scientific Research for the military, had to call his engineers "scientists" because otherwise the officers did not show them sufficient respect.

It was in this ground that the Manhattan Project, the space project, and the arms race took root. Suddenly, there were millions in federal dollars for research that was not only indisputably scientific but sexy as well: It was goodbye bridges and assembly machines for factories. Here was stuff that could hold its own at the most highbrow cocktail party in Cambridge.



We are pursuing 'Nobel Prize' R & D while the Japanese and others are pursuing 'Engineering' R & D. We get the trophies while they make the sales.

This impulse was reinforced by the emigration of prominent scientists from Europe that began when Hitler came to power. The arrival on our shores of people like Einstein, Fermi, Teller and Von Braun made "science" more exotic than it had ever seemed before, and propelled it into the airy realms. Einstein in particular became a superstar in America; here was a scientist who conferred with world leaders and hobnobbed with movie stars like Charlie Chaplin. A whole new generation of budding young scientists and engineers was suddenly dreaming of mastering the General Theory of Relativity rather than aspiring to build a better mousetrap.

Accordingly, even when leading engineering schools do offer practical courses, or ones related to traditional industries, the best students often don't want to take them. "MIT has a distinguished metallurgy department," a professor there said. "It's made many major contributions to the ferrous metal field," which is no small matter, given the state of our steel industry. The trouble is, he says, "it just doesn't have many students." Says a professor at another school, "A very small

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fraction wants to make the steel mill better, and they are not the best." A major reason is that according to the present pecking order, such endeavors do not rate high. The MIT course catalog, for example, devotes a couple of prosaic paragraphs to manufacturing and materials processing, while the Department of Nuclear Engineering gets a page-plus paean that reads as though it was written by an industry publicist. Even to interest students today in industrial engineering, says Delbert Tesar of the Center for Intelligent Machines and Robotics at the University of Florida, "you first have to convince them that they are not nincompoops."

This elitism, which our engineering schools help breed, carries over into the workplace, where it is especially destructive. In West Germany, even the elite engineering graduates—those who receive the so-called *Dipl Ing*—must work for six months in industry before they are eligible for a degree. Engineering professors there are required to have industrial experience. The Japanese are especially assiduous about wiping out any traces of elitism among their engineers. While their engineering schools are not that different from ours, that changes the first day on the job, as mentioned above, when engineers are assigned to production work before anything else. "They erase the social stigma first," says Professor Tsurumi.

When Japanese companies open factories in the United States, by contrast, they complain about how hard it is to get the engineers out onto the shop floor. "American engineers consider it beneath their dignity," says Tsurumi. "The scorn they heap upon the production worker is reciprocated. How can you expect to produce anything succesfully?" Tsurumi is skeptical that efforts to deal with problems of industrial America can succeed unless we eliminate this cleavage. "They bring in all these quality circles and fancy things, but my prediction is that they are not going to make any progress until they deal with the class structure in their own plants."

In other words, the kind of rigid hierarchy that we used to snicker at in Europe and the Orient, has become a chief impediment of our own.

Elitism is just one of the problems that the changes in engineering education have wrought. As we devoted more and more resources to the space program and defense, important areas were neglected. Seymour Melman of Columbia University cites the utility industry as an example. "Power" used to be a staple in the engineering curriculum, Melman recalls, and the attendant proficiency and commitment helped keep

Let 'Em Drink Tang

The standard justification for the massive diversion of America's engineering talent toward the military is the abundance of "spin-off" technologies that supposedly occur.

Radar, integrated circuits, jet engines and other innovations were indeed spun off in this fashion. But it's a little like going to Boston by way of Biloxi. The Department of Commerce has found that it takes ten man-years of civilian R & D to produce a commercial patent, while it takes 1,000 man-years of defense R & D to produce the same result. Moreover, the secrecy required of defense R & D often precludes such spin-offs since the Pentagon isn't about to let a vital new technology find its way into a radio that a Russian diplomat might buy.

Another problem, as Robert Reich of Harvard points out, is that "commercial needs and defense needs are further apart than they once were," so the possibilities for spin-offs are fewer. Semiconductors are an example. The Pentagon just about launched this industry back in the fifties and the commercial uses have been undeniable. One of the Pentagon's more recent projects, however, is the Very High Speed Integrated Circuit (VHSIC) that is 100 times faster than current models. These come in handy if you are building a cruise missile. But "those incredibly complex VHSICs the military wants don't seem to have any uses elsewhere," one computer executive observed.

Then too, there is the way the Department of Defense's cost-plus contracts have made whole industries less cost-conscious and therefore less able to compete in international markets. In his book, *Profits Without Production*, Seymour Melman details the effect upon our machine tool industry. With 20 percent of this industry now devoted to defense contracts, we import 25 percent of our machine tools, compared to only 4 percent in 1961. The machine tool industry has recently joined the auto and steel industries in seeking protection from overseas competitors. Over all, from 1973 to 1980 the United States was first in defense spending among Western democracies as a percentage of GNP, and last in manufacturing productivity growth and fixed investment.

The cost-plus contracts also enable defense contractors to grab the best engineering talent and inflate salary levels, thus making it harder even for firms which are not defense contractors to meet the overseas competition. Tom Daly of Keltron, a Massachusetts high-tech firm, described his difficulty finding a quality assurance manager, a speciality in great demand among defense contractors. "The defense contractors always pay more" he says.

The major technology spin-off of the post-war years has not been from space or defense R & D to civilian uses. It's been from our Nobel Prize R & D generally to the Japanese and others who are more disposed to put such research to commercial uses. Regis McKenna, a high-tech business consultant in California, points out that between 1950 and 1978, Japanese firms bought roughly 32,000 licenses from foreign—mainly U.S.—firms to use technology that had been developed in those countries. By spending about $9 billion total, they were able to skim the cream of the research on which we had been spending sums which grew from $20 billion to $50 billion over the period. Then they built this technology into high-value products such as stereos and cars, and sold it back to us.

By getting their R & D at such discount rates, and having no defense or space or establishments to support, the Japanese could target their engineering resources on designing better products and manufacturing them better. "Whenever a competitive situation exists between a United States and a Japanese firm," an MIT professor said, "we find that they have about twice as many engineers working on the problem."

—*Eric Alterman*

Eric Alterman is a research associate with Business Executives for National Security Inc., a trade association that monitors defense issues.

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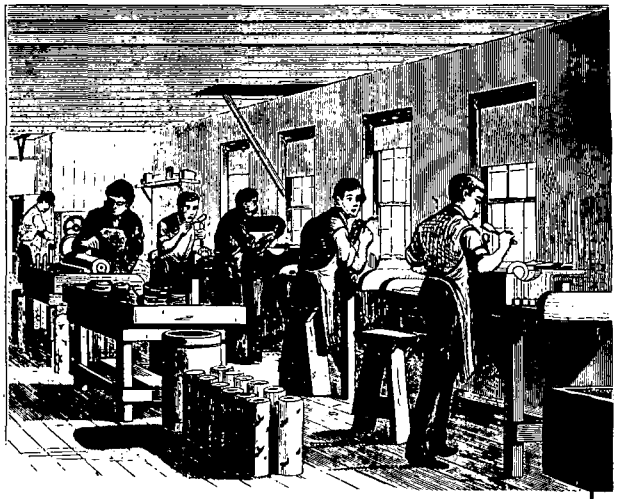
electricity prices falling for industrial users. After the war, however, "the government drew off the brains into the nuclear industry." he says, and the design and operation of traditional power plants seemed pretty dull stuff by comparison. In his book, *Profits Without Production*, Melman shows how the drive for efficiency in the traditional utilities waned, and prices rose partly as a result. We just didn't commit the engineers to this effort.

Such proficiencies could become lost arts. "It didn't show up for a while because we had plenty of engineers in the pipeline," observes Weinschel. "But now those people are getting old and there is no one to replace them." An electric utility company endowed a chair at a midwestern engineering school, and "we had a helluva time filling it," a faculty member there recalls.

At the same time the engineering schools were neglecting some of the basic industries, they were becoming highly specialized, with individual faculty members knowing more and more about less and less. "Collages of disciplinary areas aligned with the basic sciences," Peter Smith, the former technical director of the Office of Naval Research, calls them. They feature analysis rather than synthesis, what Melman calls "microcomponents,"instead of wholes, whether whole products or whole processes by which products are made.

While this inclination to specialize is native to most academic faculties, defense contracts with their secrecy requirements have made it especially severe. Under the "need to know" principle, the Department of Defense tells an individual researcher no more about a given project than that researcher needs to know to carry out his or her little component. "The result of [this] secrecy is that you have no relation to the end product of your work," an MIT scientist said. Added the head of a Massachusetts communications company, "We have a hard time integrating guys coming from places like Raytheon or GTE (both defense contractors). They have no sense of the scope of a project."

It is difficult not to connect this overspecialization, this obsession with parts to the exclusion of wholes, with our puzzling inability to make things that work well. Its not that we can't innovate. Weinschel reels off the list: video tape technology developed by Ampex, transistors by Bell Labs, and so on down the line. The problem, he says, is that we "fail to apply and market our innovations competitively." Ferguson offers the example of the original Metroliner cars, which were "loaded with sophisticated control gear, but



Too many of our engineers think their worthiness is measured by their distance from the shop floor and from life needs in general.

[were] unable to run in a snowstorm because the fan sucked snow into the electrical system." This is the same mentality that can produce a technically marvelous M1 tank, the only deficiency of which is its questionable ability to operate on the actual battlefield.

Equally serious is our neglect of the processes by which products are made. The chemical industry, for example, "is not close to ultimate energy efficiency," said Dick Foster, of McKinsey & Co. "We need to rethink the plant. We need to combine engineering and finance. But you can't study this. We don't have the advanced design skills." It is hard to introduce such training to the engineering schools, Foster says, because it cuts across different departments. "They are mutually paranoid and think you are making off with all the money," he says. Florida's Tesar agrees. The engineering faculty is "probably the last to see the need," he says. "They advocate their own programs." Quality control is another aspect of the production process that is "badly neglected" in our engineering schools, according to a vice president of the Intel Corporation. Considering the problems our industries are having in meeting the challenge of imports on that score, this is cause for concern.

It would not be fair to blame the engineering

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schools entirely, or even mostly, for this regrettable turn of affairs. They've merely been the vehicles (though willing ones) for a much larger social change. On the one hand, the federal government was plying them with money. And on the other hand, some of our traditional industries were showing a remarkable indifference to the need for improvement in manufacturing and design. "Our industrial firms just never believed that [manufacturing] research was the source of their salvation," says Peter Smith, who now heads Michigan's new Industrial Technology Institute, which was established in part to help reverse that attitude. "They just tended to pick up whatever innovations came along." The steel industry has been especially blase in this regard. It makes about half the R & D effort of its Japanese counterpart, and major engineering schools such as MIT, Cal Tech and Purdue cite a sharp decline in steel industry recruiting. The director of career planning at Carnegie Mellon in Pittsburgh, the heart of steel country, says that such recruiting has dropped to "near zero" in recent years.

From the fifties through the oil shock of 1979, the auto industry's idea of innovation was not likely to stir the imagination of a first-rate engineer. Lee Iacocca, the president of Ford, expressed the prevailing view when asked in 1974 about front wheel drive. The public "can't see it," the former salesman replied. "I say give'em leather. They can smell it." Had GM been willing to spend a mere $100 on a better suspension system and other improvements for the original Corvair, that car might have been the smashing success that could well have turned the domestic industry towards economical small cars in time to meet the foreign competition. There's a saying around Detroit that when the federal government first enacted air pollution regulations, Honda hired 200 engineers while the American companies hired 200 lawyers.

This indifference to engineering is related, in turn, to the kind of individuals who run our major industrial enteprises. The GM chief whose policies nixed the extra $100 for the better suspension for the Corvair was a finance man based in New York. "GM is not in the business of making cars. It is in the business of making money," Alfred P. Sloan, the GM patriarch, had said.. David M. Roderick, the U.S. Steel chief whose idea of meeting the foreign competition was to buy an oil company, is an accountant. All told, only 26 percent of the top managers of U.S. companies listed in *Who's Who in Finance and Industry*, are engineers. In Japan, by contrast, engineering is perceived as the linchpin of commercial enterprise," according to the "Finniston Report," and upwards of two-thirds of the chief executives (and half of all directors) there have this kind of background. Of all the board members of German corporations 60 percent came up through engineering. Is it surprising that our best engineering grads might see greener pastures in aerospace, defense, or new high-tech firms, than they do in traditional industries in which engineers take a back seat to the lawyers and financiers?

Production before prizes

Such corporate stupidity aside, the federal government has been the chief villain in this tale, and you'd expect the Reagan administration to be the first to point an accusing finger. You'd also expect it to show some concern over the shortge of industrial engineers that the National Science Foundation anticipates. Instead, the administration is making the problem worse. Defense R & D is increasing dramatically, with corresponding decreases in the civilian share, and the administration wants to spend $26 billion in R & D on its Star Wars defense scenario alone. That's a lot of engineers. Look for more Nobel prizes, but look for more Toyotas and Japanese machine tools too.

It doesn't take a genius to see that we need to show much more concern for the translation of research into practical use. We need institutions that do this, like Japan's Agency for Industrial Science and Technology, and we need to restore an ethic of practice and service to our engineering schools. The issue is not really trade deficits or cars. It's values.

Ralph Nader and others have criticized the engineering schools for failing to question the projects to which they, and their graduates, are hired to lend their hands. That's true; and the problem is yet more fundamental. The engineering schools aren't just agnostic regarding what we produce. They are becoming indifferent to production, period. They are turning out too many engineers who think their worthiness is measured by their distance from the shop floor and from life needs in general. There are many steps we need to take, such as more practical courses, and more teachers who solve problems instead of writing abstract treatises. But since our culture is so fond of prizes, I'd like to propose a new one—a Nobel for applied engineering. It would reward not esoteric research, but the application of discovery for concrete human good. ■

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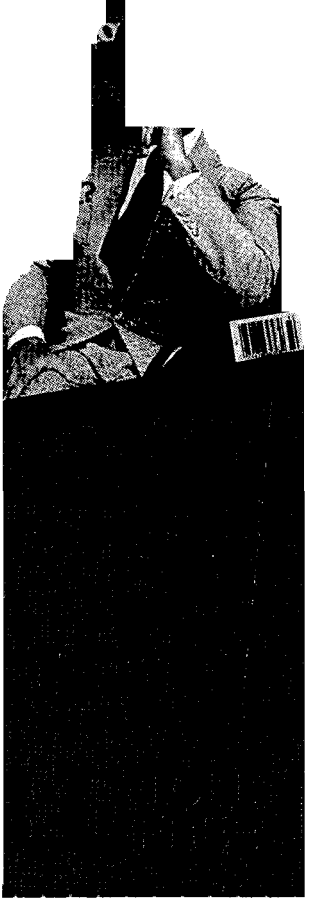

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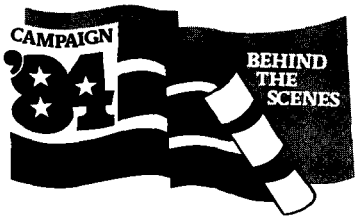

HOW MONDALE MAKES HIS MONEY

By Phillip Keisling

During his brief presidential campaign in 1969, Robert F. Kennedy spoke often about an issue that epitomized the moral myopia of many who opposed the Vietnam war: the student deferment that made it so easy for the sons of the middle and upper classes to escape the draft. At Nebraska's Creighton University, Kennedy polled his audience to find out who was in favor of deferment, and when most students raised their hands, he became indignant. "Look around you," he declared. "How many black faces do you see here, how many American Indians, how many Mexican Americans? If you look at any regiment or division of paratroopers in Vietnam, 45 percent of them are black. You're the most exclusive minority in the world."

Kennedy shared his audience's skepticism about the war; he also wanted their votes. Yet he was unwilling to stay silent about such a selfish and hypocritical attitude. The deferment was wrong; if he had to shame his listeners into facing that unpleasant truth, so be it.

A different, even more pervasive selfishness afflicts America today, a selfishness that respects no boundaries of ideology or social class. A recent survey by *Business Week* found that compensation for chief executive officers in 1983 rose three times faster than inflation; 13 CEOs pulled in more than $3 million each. After the announcement that 11,842 executives of Ford and General Motors received bonuses in 1983 totaling $262.3 million, Owen Bieber of the United Autoworkers predicted his members will respond to such greed in kind by demanding hefty wage hikes—rather than urging lower car prices to regain lost business. Recipients of government entitlement programs jealously guard their benefits even if they don't really need them. Lobbyists and trade associations ply Congress for special tax breaks and other favors on behalf of race horse owners, private pilots, commodity brokers, second home owners, and countless other special interests.

Allowed to persist, this attitude—that Americans should strive to get theirs lest someone else get it instead—has ominous consequences. Reagan's staggering budget deficits cannot be substantially reduced, much less eliminated, without the restructuring of entitlement programs that already consume half the federal budget. Unless management and labor cooperate to restrain their appetites for short-term gains so our industries can compete better in international markets, America's economy will stagnate.

A president—not just by virtue of what he says, but by his own example—might be able to

Phillip Keisling is a contributing editor of The Washington Monthly.

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lead America out of this moral wilderness. But Ronald Reagan has proved he is not such a leader. His attack on wasteful government spending has left middle-class entitlement programs largely intact while devastating means-tested programs for the poor that were already inadequate, such as Aid to Families with Dependent Children. Reagan has also been conspicuously blind to the self-interest shown by members of his own social class. His answer to our social ills, voluntarism, is ignored by his wealthy supporters who spend their free time at the country club as they did before.

And what about the Democrats? At the present time they aren't planning to nominate such a leader either. Instead they'll probably choose Walter F. Mondale.

As senator and vice president, Mondale often appealed to citizens to set selfish interests aside as he pressed for more federal aid to needy children, migrant workers, and the elderly. In 1973 he told Elizabeth Drew of *The New Yorker*, "I don't think the average American is that selfish, and I think this is where the Nixon approach is going to go wrong. I think the average American is more just and more compassionate than Nixon thinks he is."

It is not just Mondale's uncritical allegiance to special interest groups that undermines this sentiment. His failure goes deeper than that. Since leaving the vice presidency in 1981, he has drifted into a world of six-figure legal retainers and consulting fees, a world in which the concept of "an honest day's work for an honest day's pay" has little meaning. It is a world in which what one "deserves" is commensurate with whatever one can get; by how he has chosen to make a living, Mondale has endorsed the same selfishness that afflicts the rest of society.

That Mondale has done well for himself is obvious. In the last three years, Mondale has earned almost $1.5 million. Less than 150,000 of the nation's 95 million taxpayers earned more; his 1983 earnings of $316,300 were all the more remarkable given that he spent the year, full-time, running for president.

The work Mondale has performed for this money was the subject of a recent story by Charles Babcock of *The Washington Post*. The Chicago-based law firm of Winston & Strawn pays Mondale a retainer of $150,000 a year. Mondale has sat on the boards of both Columbia Pictures and Control Data Corporation; when consulting fees are added in, he has received $103,000 from Columbia and $134,000 from Control Data. Allen and Co., a New York investment firm run by Herbert Allen, once the most powerful stockholder at Columbia, has paid Mondale more than $58,000. Northwest Energy Co., which in 1981 unsuccessfully lobbied Congress to let it immediately charge its customers for a natural gas pipeline project, paid Mondale $43,000. Family Focus, a charitable organization in Chicago for teenage parents, gave Mondale $100,000 for his help in a fund-raising effort that proved unsuccessful. Assorted speaking fees—as much as $25,000 for one talk—earned him several hundred thousand dollars more.

Both Mondale and his clients generally refuse to discuss the details of his work. When Babcock pressed him to detail how much time he worked for Winston & Strawn— "I asked him about nine different ways," Babcock recalls—Mondale was somewhat testy. "I don't agree with the concept [of time spent]," he replied. "In other words, that was not the basis on which I came to the firm. I am satisfied. They are satisfied. I don't have a time card."

His exertions don't seem to have exhausted him. Responding to charges of influence peddling, Mondale claimed his efforts on behalf of Northwest Energy Co. consisted of one phone call—and that simply to learn when a hearing was scheduled. His work for Family Focus in 1982, for which Mondale received $50,000, consisted of touring one of its centers and attending an advisory committee meeting. For about 90 minutes of his time, that works out to nearly $10 a second. "I don't think there's anybody in the country who's worked harder on the practical problems of developing public policies to support families and children than I have," Mondale responded to Babcock. "I think my credentials are there for all to see."

Mondale's decision to put his credentials to such highly remunerative use is hardly unprecedented. As a former president, Gerald Ford quickly became a millionaire thanks to the many corporations who sought to add luster to their boards of directors. And in certain respects, Mondale's decision is almost a carbon copy of the course Richard Nixon followed after losing his 1962 bid to become governor of California. Nixon forsook his native state of California for New York City—Mondale stayed in Washington rather than return to Minneapolis—and became a partner in John Mitchell's law firm. While earning more than $200,000 a year representing such clients as Pepsi Cola, Nixon found plenty of time to stump the country on behalf of Republican candidates, picking up valuable political IOUs.

By relative standards, Mondale has also shown considerable self-restraint. He has not tried to

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Illustration By Taylor Jones

The way Mondale has become wealthy makes it impossible for him to ask the rest of us to make the sacrifices we need.

shelter his income in 6-to-1 write-off schemes involving oil wells, as William French Smith, Reagan's attorney general, has done. His lifestyle has not changed noticeably, though he did purchase a $200,000 second home in an exclusive Minneapolis neighborhood. Nor is Mondale yet a millionaire. When he left public office in 1981, his net worth was just $253,000, a relatively paltry sum in comparison to that of other politicians of comparable status.

All this helps explain why Mondale's earnings have evoked so little comment in the press and among fellow candidates. After all, such incomes are common in Washington. As for the work he actually performed for the money, as one Washington lawyer puts it, "If someone is willing to pay Mondale that kind of money, he'd be a fool not to take it—and so would you."

But the important issue isn't whether Mondale is "right" or "wrong" in accepting such compensation for such modest exertions. What's important is the effect of his behavior on his ability to provide the leadership necessary to convince Americans to set selfish considerations aside on behalf of larger goals.

As someone who would be considered by many to be overpaid himself, how can Mondale be a credible critic of all those absurdly overpaid corporate executives? And, if he can't do that, how can he ask workers to take wage cuts that may be necessary, at least in the short term, to make their companies competitive again, regain lost market shares, and flourish in the long term?

Or take entitlement programs, which divert billions to undeserving members of the middle and upper classes that would be better spent in helping the poor and in erasing the deficit. As a former vice president, Mondale is the recipient of an unneeded entitlement himself—a $28,000-a-year pension. His own contribution to the retirement system was relatively meager and he obviously doesn't need the money to provide for his family. It is not unreasonable to propose that a man of his social concerns might see a connection between each $2,000-plus monthly check he receives from a government that can't afford it and the lack of funds for millions less fortunate. You would think he might suggest that people like himself be required to relinquish their entitlements to help meet the budgetary crisis and to make more money available for others in greater need.

This would communicate an important message to the rest of the country. It would also be a pointed challenge to Ronald Reagan, who receives a similar pension as a former governor of California. Reagan doesn't need it either; last year he made $420,000. But having shown no qualms about accepting an unneeded pension or $150,000 a year from his law firm for doing little work, it's hardly surprising that Mondale bristles at the thought of telling wealthy elderly couples they don't "deserve" their Social Security checks.

Mondale's defense of his earnings—and one most people in Washington readily accept—is that he is worth the money he receives. Yet this free-market view of compensation—"I am satisfied, they are satisfied"—glosses over the fact that Mondale's "value" to a firm like Winston & Strawn has little to do with his talents as a lawyer. Even if Mondale always replied, "I'm too busy, call me next week," whenever the firm solicited his "counsel," Winston & Strawn would still be getting its money's worth. Having Mondale on the payroll is a powerful lure to clients

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Siphoning a Living

When your political mentor is out of power, and the next election is 4 years away, how do you make a living? This was the problem facing James Johnson, now Walter Mondale's campaign manager, after the 1980 results came in. The matter was complicated further by the fact that Johnson lacks something that can be very useful in Washington in such circumstances: a law degree. Michael Berman, now Mondale's campaign treasurer, was able to find work for a Washington law firm that lobbied for Columbia Pictures; Mondale himself worked out a $150,000-a-year arrangement with the firm of Winston & Strawn. So Johnson decided to do the next best thing: he became a consultant.

On January 26, 1981, Johnson joined Dean Overman and Hurd Baruch, both attorneys with Winston & Strawn, to form a consulting firm called Public Strategies. The new firm hung out its shingle just down the hall from Mondale's law office.

Three years later, Johnson's first venture as a "political entrepreneur" seems to have paid off handsomely. From its heavily carpeted offices in Georgetown, where Gustav Klimt prints grace the walls, Public Strategies plays host to a list of clients that includes several Fortune 500 companies and prominent New York investment banks. The payroll now includes Decker Anstrom, the firm's "domestic policy analyst" and a former Carter appointee; Maria Zammit, a "foreign policy analyst;" and Richard Holbrooke, Carter's deputy secretary of state for East Asian and Pacific Affairs.

The success of Public Strategies cannot be solely attributed to the talents of Johnson and his associates. The case of Family Focus is particularly instructive. This nonprofit group, which operates programs for children, paid Mondale $100,000 in 1981 and 1982 to help raise money. Mondale suggested that Public Strategies be brought on board to help the group write grant proposals and establish a national advisory committee. Bernice Weissbourd, who runs the program, recalls that she first learned of Public Strategies "when we went for the appointment with Mr. Mondale and Jim Johnson was there also." Family Focus hired Public Strategies for $50,000.

The efforts of both Mondale and Johnson's firm came to naught; neither raised any money. Irving Harris, a liberal Chicago businessman and a Mondale backer, donated $200,000 for the fund-raising effort and has since said that he considered the money to be a "large fee that was wasted." Bernice Weissbourd, however, is more philosophical about the whole thing and more, well, attuned to looking at the expenditure as a long-range investment. "It's kind of hard to pinpoint the ripple effect of things," she says.

Another Mondale benefactor, Herbert Allen Jr., also helped Public Strategies. Allen is head of Allen and Co., a New York investment firm that controlled Columbia Pictures until its sale in 1982 to Coca Cola. (During the late 1970's, Allen helped embroil Columbia Pictures in a messy scandal by insisting that David Begelman, an executive who had admitted to forging several company checks, be kept on the payroll.) After putting Mondale on its board of directors, Columbia also hired Public Strategies. The Allen connection paid off another way: Warner Communications, whose president, Steve Ross, is a prominent Democratic fundraiser and a friend of Allen's, also became a client.

Exactly what does Public Strategies do for its diverse list of clients, which also includes Lehman Brothers Kuhn Loeb, Nike, Dreyfuss (a New York investment firm), Cummins Engine, Beatrice Foods, the United Way, and the National Education Association? Spokesmen for Columbia Pictures and Lehman Brothers refused to discuss the relationship. Ann King of Cummins Engine and Pat Brozowki of Beatrice simply said that Public Strategies offers advice on their "foreign investments."

Tom Nunan, senior vice president of the planning and allocations division at United Way, was a little more explicit. He says Anstrom has worked with them on two reports—"An Overview of Allocating Strategies and Arrangements: Meeting the Challenges of the 1980s" and "The Allocations Process in Review: Summary Report of Synectics Sessions." (For the uninitiated, synectics is bureacratic jargon for "brainstorming." These sessions provided, according to Nunan, a "chance to think expansively about questions.") Asked about Anstrom's specific role, Nunan replied, "His role was capturing frankly and distilling what was being said [at United Way meetings]" and "to interject consistency of definition into a variety of funding distribution strategies."

Anstrom won't reveal what he was paid for taking such good notes, though he was willing to take a stab at defining Public Strategies' work: "We analyze issues and the implications of policy for business strategies and action for nonprofit organizations and corporations." He was more specific about what Public Strategies does *not* do. "We do not do any work for Walter Mondale—we do not receive reimbursement for any professional or consulting services from the campaign." Asked about the more than $10,000 that Public Strategies received from Mondale's PAC in January 1984—listed as "consulting-contracts" and "casual services" on Federal Elections Commission reports—Anstrom explained that Johnson, whose only office is at Public Strategies, occasionally used the firm's secretaries for campaign work and the office space for "more than incidental use" for campaign meetings.

Anstrom's colleagues also didn't reveal how lucrative their venture has proven—largely because they couldn't be reached. Indeed, a casual observer can't help but notice that no one seems to spend much time at the office. (Just whose office it is also is a matter of some confusion; Steve Delfin of United Way recently called Anstrom at Public Strategies and was greeted with "Hello, Mr. Mondale's office.") Johnson is obviously deeply involved in a campaign that has proven to be far less of a sure thing than once thought. Recall also that Mondale himself told *Newsweek* that one reason he picked Johnson was that "he was at that point where he could spend full time with me." Holbrooke also has other employment—he works for Lehman Brothers Kuhn Loeb. According to a secretary at Public Strategies, "There's no set time that he comes in—he just comes in when he's needed."

One congressional aide who's dealt with Public Strategies puts its appeal this way: "It's like an insurance company. It's probably a good investment for a company to pay them just to have the phone number of the man who will be chief of staff if Mondale becomes president." Besides, he adds, referring to one of Washington's most notorious insiders, "How much would it cost if they had to first hire Tommy Boggs to get an introduction?"

—Kay L. Gunderson

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who see an implicit promise of special access for themselves. And however meritorious their cause, should Columbia Pictures, Control Data, or any Winston & Strawn client appear to receive favorable treatment from a Mondale administration, questions are inevitable. Just as the average man is hard-pressed to get no-interest loans from his banker—an argument being made by Senators who accuse Ed Meese of influence peddling—the average man has similar difficulty finding someone who'll pay him $150,000 a year and not ask how he spends his time.

Class struggle

Still, it's important to understand that Mondale's behavior, far from being illegal or even unethical, is perfectly consistent with the prevailing values of his peer group—those who consider themselves members of the "professional class" such as civil servants, lawyers, doctors, consultants, journalists, and the like. By any reasonable definition, these people are also members of the upper class, although they often don't recognize it. More than 80 percent of all *households* in America live on less than $37,000 a year. Because an average household consists of three people, a single person with the same income—say, a 25-year-old associate at a large corporate law firm—is even better off. Those who make $60,000 or more are among the upper 5 percent. And since professionals usually marry other professionals, it's quite common, particularly in Washington, to find couples with household incomes over $100,000—and both partners under the age of 35.

Living in such a rarefied atmosphere breeds certain standards and expectations. One vacations in the Caribbean rather than visiting the in-laws or painting the house. A second home becomes a necessity. More to the point, among such professionals the notion of "sacrifice" is viewed with suspicion. Editorial writers and government officials "struggling" to make ends meet on incomes of $60,000 a year obviously have difficulty urging those living on half that to give something up.

For Walter Mondale, who has been averaging almost $500,000 a year, asking anyone to give anything up is not going to be easy. But that doesn't mean it can't be done. It is not too late for him to free himself from the attitudes and values of those with whom he has been prospering since 1980 and return to the man he was when he talked to Elizabeth Drew and rejected the politics of selfishness. Let's hope he does—for his sake and ours. ■

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CAMPAIGN '84 BEHIND THE SCENES

The Lost Roast

A story that takes place at the highest leve

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# of Gary Hart

f comedy and government ■ By Jamie Malanowski

Illustration by La Mouche

This is the story of the Lost Roast of Gary Hart, or, more accurately, the Lost Reply. The roast was held on April 1 in the Sheraton Centre Hotel in Manhattan, some 34 hours before the polls opened in what may prove to have been the pivotal primary of the season. Hart was appropriately and jocularly insulted by the emcee, actor Hal Linden, and by the panel, which included singer John Denver, concert promoter Barry Fey, actors Jack Gilford and Marlo Thomas, author Stephen King, comedian Freddie Roman, Representative Tim Wirth, campaign pollster Dottie Lynch, and the candidatorial daughter, Andrea Hart. The honoree did make a response to these people, but it wasn't the reply that had been written for him. This is the story of how that reply was written by a blue-ribbon panel of extremely accomplished comedy writers. And then suppressed.

It was my great privilege to be a member of this committee. I am not an extremely accomplished comedy writer, just a freelance magazine writer, but I do have a friend who happened to tell the roast's director, David Irving, what a cut-up I am at Christmas parties. On that slim recommendation, I was approached. "The idea is to make Gary seem less remote and to neutralize some of the things we've been criticized for," said Irving when he recruited me. Since I was supporting Hart, and since it seemed like fun, I agreed.

The first writers' meeting took place on March 24, when 12 or 15 of us got together to talk about material. It was an impressive group, one that included writers from "Saturday Night Live" (the

Jamie Malanowski is a writer living in New York.

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old one), "The New Show," "The Muppet Show," and *National Lampoon*. Apparently, I was the only one there who was funny on his own time.

A few of us brought material. The haul included an enormous number of jokes about beef, altered birthdates, JFK, changed surnames, and different signatures. There were jokes that no one laughed at, jokes that no one laughed at but were described as "conceptual humor," and jokes that received the comparatively high accolade of "That would be funny if it were said to me in a bar." By the end of the day, we had 70 or 80 jokes in nomination, scripts to write for Hart and Linden, and a strategic joke reserve to create for emergencies.

Two days after that meeting, Irving gathered a smaller group to start putting together the script. I was not invited, but among those who attended were "Saturday Night Live" veterans Marilyn Miller, Al Franken, and Alan Zweibel, and Chris Cerf, who wrote for "The Muppet Show" and was a prime mover behind the *Not the New York Times* parody. This group was responsible for three great leaps forward. First, it reviewed the inventory and selected the best lines. Second, it established an outline for the reply—one age joke, one name joke, and so forth. Third, the group wrote some new funny stuff.

As the first meeting was breaking up, Miller said to Irving, "Now what we need is a writer to pull this material together." She meant a comedy writer, and presumably someone who'd been at that meeting. Irving assumed that she meant a Man of Letters, and since I was the only "writer writer" (as he put it) that he had, he asked me to write the script. He gave me the material Wednesday, said I could add new jokes if I wanted to, and told me to come back with the script by Friday, so that it could be sent to campaign chairman Ted Sorensen for approval. Sorensen had it Friday afternoon.

The writers' group, now a force of six to eight, met Friday night. Miller, who was prepared to spend the evening writing a reply, was piqued that I had already done it. Miller got her start writing for "The Mary Tyler Moore Show" right out of college and has been making America laugh for more than a decade. I tried to be as sheepish as possible, but there was no getting around it: I was outside the bounds of comedy protocol.

To pacify Miller, Chris Cerf and the show's producer, Lisa Smerling, assured her that nothing I'd written was set in stone, that the whole thing could be heaved out the window and done over and nobody would care. While this hurt my feelings a little, it did bring Miller back to the table, where we worked until after midnight, cutting my script and splicing in Miller's material. By the time we left, Hart's reply was just about finished. As written by Miller, Franken, Zweibel, Cerf, "Muppet" writer George Makrod, and me, here are some highlights:

CALL YOUR MOTHERS

Thanks, Hal. Ladies and gentlemen of New York—I have just returned from Florida and I bring you a message: Call your mothers.

Some of us thought this was a less than boffo opening, but the majority felt that this "homage aux Catskills" would provide Hart with a warm, comfortable, and easy-to-handle start.

A GENERIC OPENING/THE RIGHT STIFF

When my aides first suggested that we have this roast, I was very reluctant. I thought, "What am I going to say?" Someone suggested that I just wing it. That sounded like an awful idea, until I realized that if the president can do that with foreign policy, I can do that here.

Roasts are meant to show off the roastee's easy charm and theatrical flair, qualities I've been accused of lacking. Indeed, when the campaign started, my wife Lee told me that John Glenn had the right stuff, Walter Mondale had the right staff, and I was the right stiff. But tonight, to show you that I've loosened up a bit, I'm going to read this material like I thought of it myself.

We chose these lines over some mild reproaches directed at the panel ("When Americans list their contributions to the country and say 'I fought for freedom' or 'I marched for peace,' you can say 'I mocked Gary Hart.' ") The virtue of the "right stiff" is not only its elegance, but also that it took the heat off of Hart for anything that followed.

HOLLINGS

I'd like to acknowledge some of the people on the dais, like Fritz Hollings, my colleague in the Senate. Some of you may remember that Fritz also ran for president this year. And he would have stayed in the race, but he knew America would never elect a president named Fritz.

About eight writers came up with this joke, so it clearly wasn't that good. Hollings proved very enigmatic. We spent a lot of time trying to develop a punchline out of the concept of Hart saying, "There but for the grace of 50,000 Iowans go I," but nothing came of it. We were thinking of stealing Ted Kennedy's line about how Hollings had given hope to so many by being a

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As we worked together, our blue-ribbon panel of comedy writers came to feel like a real team—in part because the Hart campaign staff viewed us as a "loose cannon."

non-English-speaking candidate when we received word that Hollings had dropped out.

GILFORD

And Jack Gilford. Jack may be one of America's great character actors, but he's probably best known for his Cracker Jack commercials. Jack and I split a box of Cracker Jacks before the roast tonight, and Jack let me keep the prize— [holds it up]—this little whistle. That may not seem like much, but under our current administration, the Defense Department buys them for $200 apiece. Perhaps that's because Ronald Reagan isn't knowledgeable about defense. Here's a man who thought Pershing II was a Spielberg sequel.

Several other jokes contended for this spot, all on the theme of Jack's having been part of the "evolving" policy over where to put our embassy in Israel ("Jack sent Gary to three rabbis for advice, and he came away with ten opinions"), But Miller liked the Cracker Jack joke the best.

DENVER

John, thanks for coming, and standing behind me on the name question. Of course, as a man formerly named John Henry Deutschendorf, where were you going to go? But name changes are an American tradition. Cary Grant used to be called Archie Leach, John Wayne used to be called Marion Morrison, Ronald Reagan used to be called a Democrat, and Mrs. Ronald Reagan used to be called Jane Wyman.

This originally was a silly joke about the president being a twice-married man, until we remembered that Reagan had switched parties.

AGE AND SIGNATURE

But rather than talk about the people on the dais, I thought I'd talk about myself, and respond to some of the criticisms that have been leveled at me during the campaign. For example, there's been some to-do about my age. Now, that's a nonissue. The issue is experience. And I've had experience, ever since I graduated from Yale Law School in 1964, when I was nine.

And some people say my campaign has an identity problem. I disagree. It clearly bears my signature. All three of them.

The age issue had been so played out that I thought a straight numerical joke would have no pop. I wrote a joke that asked when precision had ever been a qualification for the presidency. "I think of how one of our greatest presidents began one of his greatest speeches. Of course, I am referring to Abraham Lincolnpence, and 'Three-or-four-score and seven or eight years ago. . . .' " But this was overwrought.

MORRIS HARTBAUM

Some critics have accused me of tailoring my message for the New York primary. Nothing could be further from the truth. As my paternal grandfather, Morris Hartbaum, once said, "Oy, the goyim, feh!" And as my maternal grandmother, Dolores Hartinez, once said, "Donde la biblioteca?" I guess that's why I read a lot.

We spent a lot of time debating whether anyone would be offended by "Oy, the goyim, feh!"

JFK

Another accusation that's been thrown at me is that I'm trying to imitate Jack Kennedy. Untrue. Just ask my children, Andrea and John-John.

A lot of JFK jokes tied in to the Roger Mudd interview. The best Mudd joke was: "Actually Roger and I are still good friends. After the interview, I asked about his career. He said he'd still like to be an anchor. I told him I'd talk to the Navy." We decided jibing at media giants was impolitic.

NEW IDEAS

I think my platform's been stolen. I've called for new ideas, and now everybody thinks he's got one. President Reagan's new idea is to nominate Ed Meese for secretary of the treasury. That's actually a good one, though. If Meese can get the same repayment schedule for the deficit as he got for himself, the country will be out of debt in no time.

I wrote a companion joke to this, about how Mondale's adviser for new ideas in New York was

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former Governor DeWitt Clinton, but no one knew who that was.

THE CHAINSAW JOKE

Finally, on a serious note, I'd like to talk about negative campaigning. Lately, the mudslinging and character assassination has gotten completely out of hand, and I feel that's got to stop. However, I have just learned something about Walter Mondale's past that I think everyone should be aware of. In 1978, while still vice president, Walter Mondale was involved in a series of chainsaw massacres. Yes, it seems while vacationing in northern Minnesota, Mondale and several of his aides, armed with Black and Decker chainsaws. . . [Gary is interrupted by an aide, who

Take My Joke—Please

What became a lonely, humiliating self-revelation about my deficiencies as a humor writer began innocently enough as an opportunity to work on the fringes of a major presidential campaign. It was March 1983. After living in Washington almost three years, about the closest I had come to being involved in politics was eating "Senate Bean" soup in the basement cafeteria of the Dirksen Office Building. So I was ready—really ready—for my chance. Then I got the call.

The man at the other end of the line was a speechwriter for the Mondale-for-President organization. He said he'd read some magazine humor I'd written and liked it. He wanted to recruit me to work in a loose network of volunteer humorists who would write jokes for Mondale. Would I help out?

I didn't want to sound *too* interested, so I sniffed in the manner of Barney Fife explaining pistol handling to Opie and said, "Wellll, I'm pretty busy writing magazine humor [a lie] but I can probably give you a hand." I asked about patronage. He ignored that and described the first assignment. That month Mondale and five other Democratic candidates were scheduled to speak at a state committee dinner in Massachusetts in advance of a "straw vote" in April.

Now *he* was sniffing. "It's basically a cattle show. Ted [Kennedy] will introduce the candidates with a few barbs and then they get to speak. They're sort of expected to tell some jokes. Anything about Kennedy is good—but keep it mild since this *is* his home state."

"So nothing about cocaine orgies in a rumpus room full of 11-year-old girls?"

"Uh. . . .right. And self-directed stuff by Fritz is good. *Anything* about Reagan. His age. Nancy. The Star Wars speech."

"Ron, Jr.?"

"Yeah, fine. You know."

I got a slow start, missing both the Massachusetts and Georgia "cattle shows" as I spent the rest of the month on tedious but necessary joke research. Trying to educate myself about the style and content of political jokes, I looked at the work of past greats. I found some good jokes, and some very odd ones, like this one Richard Nixon told in New Hampshire in 1968: "I understand the skiing is great up here. I've never skied but [touching his nose] I have a personal feeling for it."

I also read jokes being used at the March "cattle shows." These were mostly Reagan broadsides or mild insults that were often self-directed. (For example, Kennedy introduced Gary Hart in Massachusetts with this line: "He's young, attractive, vigorous, and charismatic—but I like him anyway!") Many of the jokes were tied to the news. And there were "generic" jokes—ones a candidate could use almost anytime, or ones suited to particular groups like farmers or union members. Generally, just reading the newspaper seemed like the best way to come up with ideas.

The most inspiring material emerged from the annual Gridiron Dinner late in March. This event, at which politicians and journalists trade insults and perform skits, is *the* major showcase of political humor each year. The Style section of *The Washington Post* has called it a "powerful arena for political image-making. Or breaking." At the 1983 dinner President Reagan came in at the end of a conga line, wearing a sombrero, and said, "I haven't seen a crowd like this since we distributed surplus cheese." That was surprising, but the big surprise of the night was John Glenn—the Democratic speaker that year—who was (again, according to Style) "known as a less than energizing speaker and was being scrutinized by 'Inside Washington'. . . .Glenn obviously took the opportunity quite seriously." That night Glenn "laughed his reputation as a tedious orator away," David Broder later wrote, with a speech "that can fairly be called a triumph."

Glenn's speech was written by a group of Washington joke-writing heavies, including "insiders" Art Buchwald and Mark Shields, and included corkers like this: "As many of you know, Scotty Reston thinks it was a mistake for me to accept this invitation because I can't give a funny speech. So after reading his column, I turned to Bob Strauss for advice, and Bob said, "John, don't worry. Just give the same speech you gave at the '76 Democratic Convention. The whole damn country laughed at that one."

I say I found the Gridiron jokes "inspiring" for two reasons. One, they indicated that humor can be very effective in politics and, to me, made the whole idea of writing jokes for Mondale more interesting. Two, I was sure I could do much better.

At any rate, it was time to stop stalling and find out. Two more Mondale staffers had called urging me to send something immediately. I had to either make, or break, my joke-writing image. So I gathered my meager resources. A slim archive of political jokes I'd collected. A thick file of humor I'd written but failed to sell. A 69-cent Party Joke Book by Joey Adams, "America's Good Will Ambassador for Three Presidents." A stack of newspapers and magazines. And a public-speaking guidebook for school administrators ("33 humorous ice-breakers," "10 pre-written benedictions, both secular and religious"). Hey, you never know what will help. Then I put on my headphones and started "writing."

To say that I stuck my head in the bag-of-tricks of my soul and found that it stunk of nothingness is horribly overwrought, but accurate nonetheless, because I learned quickly and painfully that I had *no talent whatever* as a joke writer. And for someone walking around calling himself "a humorist," this is truly an existentially tragic discovery. But there was no denying it. After an hour of pitiful tapping I came up with one measly joke, a sad, thin little thing—almost *ill* really, truly awful—and you no doubt want to hear it *right now*

Alex Heard is a writer living in Washington.

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whispers in his ear and hands him a piece of paper]. . .Oh. . .Gee. . . I'm sorry. Evidently, Walter Mondale is not a chainsaw murderer. This is a staff error. He's never murdered anyone, and has never committed any crime. Walter Mondale: Not a Murderer. Glad we cleared that up. I guess this is one of those things that happens with frontloading.

But first, let me explain—I may be a humor writer, but I *never claimed* I could write jokes. I've always known I can't, ever since the day in third grade when I made up my first joke after reading a book of riddles by Bennett Cerf. "Q: What's the richest cookie? A: A fortune cookie!" I told that one all morning. At lunch, somebody poured half a shaker of salt into my milk. Luckily, large political organizations do not administer such punishment.

Wellll, it's time to tell the joke. No more delays. Wait, uh, I want to start a new paragraph.

That's it, the time is now, now is the time. . . . Hey, I need some fresh coffee. . . .

Okay, here it goes. *This* is what I mailed:

Dear Sirs: This joke is designed to comically play on the charge, likely to be made often during the campaign, that Walter Mondale is the "endorsements" candidate. Mr. Mondale can best deflect such criticism by dealing with it humorously himself. You'll note that the joke is tied to an event that will increasingly be on the public mind next year.

Before telling the joke, Mr. Mondale would need to acknowledge the criticism he is getting for "endorsements." Then he would say, "I have no idea what they're talking about. Incidentally, I'm pleased to take this opportunity to announce that I have been declared the Official Candidate of the 1984 Olympics."

Not surprisingly, the Mondale people did not acknowledge the joke's receipt, use it, or ever call again. I considered this wound to be the formal end of my career as a political joke writer. All I wanted was to forget about the whole experience.

Over time, using basic revisionist memory techniques, I rewrote the whole joke-writing episode in my mind. Cocky once again, I could be heard at parties saying things like, "Obviously, Mondale's organization simply *does not understand humor*, and that's hurting the candidate." (Sniff.) "I used to write jokes for him, you know, but it didn't work out." I could only go on in that way so long before the gods intervened. Finally, last December, I got a call from Robert M. Kaus, a contributing editor of this magazine, who was working as a speechwriter for Ernest Hollings. Kaus said he needed jokes for a fundraiser in South Carolina, where they'd heard most of his stuff already. Did I have anything?

At first I wisely said no. Kaus pressed me. Surely I had *something*? No. Nothing at all? Well, there was this *one* joke I wrote for Mondale, but it's not that great. Let's hear it, he said. "All right. It sets up like this: Hollings would be making fun of the way Mondale gets all these endorsements, see? Then he would say. . . " And so on.

After I finished, Kaus said something like, "Okay, but if you *do* come up with something just give us a call."

I got one more call a couple of months later, this time from an intern at *The New Republic* who was polishing a speech that Morton Kondracke—one of the editors there—was scheduled to give in a few days. "The speech is set, but Mort wants me to pepper it up with some jokes." All I had, I told him, was this one joke about Mondale's endorsements. . . . The intern was very polite. He actually said, "That's pretty funny. I'll see what Mort thinks." I'm still waiting to hear.

—*Alex Heard*

An Al Franken special. I don't think any of us seriously believed this would get in, but we all seriously hoped it would. No self-respecting commission will fail to come up with one token crazy idea: it redeems the blandness of the other findings. And crazy ideas can be valuable bargaining chips. We included it Friday primarily as something to surrender to save the rest of our stuff.

But seriously folks

As we worked together that evening, we came to feel like a real team. One reason was we were having a good time, but a more important reason was that we began to develop an "us versus them" mentality. We had picked up messages through Irving and Smerling that there was an element in the campaign that was extremely suspicious of us, and viewed us, improbable though it may sound, as a loose cannon.

The staff was also nervous about Hart. We were told again and again that Hart had no sense of timing, couldn't tell a joke, and would laugh over his own punchlines. We reviewed everything we wrote for its ease of delivery. Miller, who'd written for nonprofesssionals on "SNL," was confident. "It's just long sentences," she said. "All he has to do is read."

Just before we went home, we received Sorensen's reaction to my script. There was almost nothing he hadn't rejected. He'd written a "no" or an "x" next to all references to name, birthday, and signature changes. All references to Mondale were out. Most references to Reagan were out.

At first we were mystified that there were no explanations why things were cut. Then we felt insulted by this summary judgment. We agreed that while Sorensen may have ghosted *Profiles in Courage*, Kennedy's wit was certainly original.

Finally, we decided that things weren't so bad. After all, we'd already cut a lot of what Sorensen had axed. We were convinced that the present reply was funny, largely inoffensive, and equipped with a sacrificial chainsaw joke. Irving assured us that Sorensen wasn't the last word on the subject, however, and we scheduled a meeting for the next day to write material for Linden, the emcee.

On Saturday, we met with Hart's pollster, Dottie Lynch. Marilyn read her Hart's reply, pausing to allow Franken to perform the chainsaw joke. Lynch thought the routine was very funny, and couldn't see what Sorensen's problem was, unless he was worried about Hart's ability to perform. Another Hart staffer, Jim Monahan, came

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up during the afternoon and read the material, and found it funny and inoffensive, except for the chainsaw joke: "That's just the kind of thing that'll upset people in the campaign." We told him we were willing to take it out. "You don't have any idea just how many people are dead set against this roast. They're afraid we'll look unpresidential, that somebody'll say something insulting, that something awful'll get into the papers the day before a big primary. I mean, Warren Beatty's doing everything he can to stop this."

"Warren Beatty, the actor?"

"Thinks it's completely unpresidential. And of course, he and Gary are very close. But I think what you have here is fine, and so does Dottie, so we'll see."

By the end of the day, we had the material for Linden. He'd open by saying, "Frankly, a lot of people never thought an event like this would be happening tonight. A lot of people thought the race would be over, the nomination wrapped up, and all eyes trained on November. But then Gary blew it in Georgia, so here we are." Linden would explain that we were having a roast because it was the best way to honor a man who started his career by dropping his pence in public. He'd then say that Hart had won the vote of every thoughtful person, and that he and the panel were there to prove that Hart's support wasn't confined to that one group.

Linden's introductions of the panelists were amusing, if a little uneven. We wrote an elaborate introduction for John Denver, based on the premise that Linden was mistaking him for Bob Denver, the star of "Gilligan's Island." Andrea Hart's introduction, clawed out late in the day, was based on her statement that she didn't want to live in the White House. "Who can blame her? How'd you like to pick her up for a date? You couldn't bring any guns!" We expected to be rewriting that the next day.

The scripts for Hart and Linden went to the campaign brahmins for review. Among those who were to receive the material were Press Secretary Kathy Bushkin and advisers Pat Caddell, Frank Mankiewicz, and Mark Hogan. We went home, encouraged by the reactions of Monahan and Lynch, but worried about what reaction our script would get from the others.

By Sunday, our group was working so smoothly that not even the tension of event day, nor even the tension of waiting for a verdict on our script, could keep us from producing. Linden joined us, reviewed his material, and proved to be a congenial partner. He helped improve some of his intros, including Andrea's ("The other day Andrea said she didn't want to live in the White House. Now if we could only get Nancy Reagan to say the same thing").

Around 1:30 Franken and Smerling returned from meeting with Mankiewicz, Caddell, and Hogan. Clearly, things had gone poorly. Franken was very upset, and kept saying things like "I hope my wife hasn't already gotten us a babysitter, 'cause we're not going to any roast!" However, getting Franken to explain exactly what went on was nearly impossible, and Smerling, who had a hundred other things on her mind, lost herself in phone calls and was equally uninformative. After repeated entreaties, we were able to establish these facts.

First, no John-John jokes. It would remind people of the assassination.

Second, no chainsaw joke.

Third, no name, age, signature, or hard-to-deliver jokes.

Fourth, this wasn't a roast anymore. It was now a warm toast.

We were confused, angered, and amazed by this reaction. Franken, the comedy hardliner, was ready to go home. Linden offered to walk out. Smerling spoke to Kathy Bushkin on the phone and reported that Bushkin was surprised that so many people were reviewing this script, that *she* thought it was fine, and that Gary was "looking forward to being funny." Unsure about what to do, we decided to stand by our material. We would become a runaway commission.

Mini Ha Has

Miller, Cerf, and Franken were scheduled to meet with Hart before the roast to help him prepare his material. We would take him our stuff. Somehow, we had convinced ourselves that our idealized Gary, the one who was as mistrusted as we were, would go with our jokes.

Once we'd decided that, our work was still far from over. Linden's script needed to be changed to reflect the advisors' edicts. Bandleader Peter Duchin had been added to the dais, and now needed material. A slide show Marlo was to have presented was axed, and she now needed material. For over an hour we thought and typed and scribbled as fast as we could. We were a frenzy of joke-writing.

Finally the scripts were ready. The emissaries went off to meet the candidate.

They never arrived. They were waylaid by Mankiewicz, Hogan, and Monahan. According to Cerf, Mankiewicz was "brusque" but thought

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some of the material could be used by other panelists. Hogan was mollifying, but didn't want any of it to be used. Monahan, fighting a rearguard action, defended the concept of the roast, but not our material. We've just gotten this name and age thing behind us, they said. And there shouldn't be any mention of divorce. And nothing about Mondale. And nothing too hard, or else Gary won't be able to say it. And don't do the chainsaw joke. We don't want to remind people about the staff error.

With 15 minutes left before dinner, we took the leftover jokes to the members of the dais. No takers. Duchin rejected the material we wrote for him. Denver looked like I was saying bad things about his mother when I told him how he was going to be introduced. Eventually, Cerf and Miller and I realized how pathetic we looked, frenetically pitching our jokes, and we slunk back to our table and sat down.

The roast proved to be a successful fundraising event, which was its raison d'etre, but to quote *The Washington Post*'s review, it was "short on yucks." The panel was uneven; Thomas, for example, made no effort to be funny as she explained why she was behind Hart, while Stephen King had terrific material ("Senator Hart thought *The Dead Zone* was the space between Reagan's ears"), but not very good delivery. Most of them ran through a roster of name, age, and beef jokes. The closest thing to a gaffe came when Barry Fey said, "Judaism is to Gary Hart what surfing is to Kansas." Mankiewicz dropped his head into his hands. At the writers' table, we took some satisfaction from the fact that we hadn't written that one.

Caustic and morose, we nonetheless resisted seizing the stage. Top honors for sportsmanship went to Franken, whose recognizable face attracted TV cameras throughout the night. Each time they started filming, Franken threw back his head, simulating laughter, no matter who was or wasn't speaking. In the end, he was philosophical. "Politics is just like show business," he told Miller, "except there's less talent."

And Hart? He did well. He started out with the Right Stiff, worked in the Jack Gilford whistle joke, and changed Meese's repayment joke to work in Argentina. He did some other jokes, too; I have no idea who wrote them, but some were stolen from the Gridiron Club roast of the previous week. Hart read all his jokes well. There is no doubt that he could have delivered the material we wrote.

On Tuesday, Hart was creamed in New York. ■

THE WASHINGTON MONTHLY

Journalism Award

for March, 1984 is presented to

Business Week

A special edition on "How to Cut the Deficit" recommends that we kill the MX, eliminate the mortgage interest deduction and special tax treatment for capital gains, and impose more tax on the pensions of affluent retirees, among other measures. There's pain for everybody who's not too poor to bear it, and that's what makes this report so good.

Tim Jones

Detroit Free Press

In 1979, the administration of former Governor William Milliken signed a $35 million contract with a questionable firm to build a new tug-barge system for Lake Michigan freight. Now, $43 million later, not a single tug or barge is completed and the project has collapsed. A detailed, three-part series tells how the state signed first and asked questions later.

The Monthly Journalism Award is presented each month to the best newspaper or magazine article (or series of articles) on our political system. Nominations from any newspaper or magazine in the country are welcome. The subject can be government in its federal, state, or municipal manifestation.

The award for articles published in May will be announced in the September issue. Nominations will close June 15. Nominations should be accompanied by two copies of the article or articles.

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WHO'S WHO in the Administration

The Synthetic Fuels Corporation lacks the legally required number of directors to do business. **C. Howard Wilkins** and **Milton M. Mason Jr.** left last winter when the two were criticized for working on the president's reelection committee. Then **Victor M. Thompson Jr.**, who became president last February, left too. It turns out that he never told the other board members that the bank he was chairman of in Tulsa was under investigation by the Securities and Exchange Commission. And now, **John B. Carter Jr.** has resigned, too, out of frustration with the board's inaction.

When the CETA program was replaced by the smaller-scale Job Partnership Training Act, Labor Secretary **Ray Donovan** allowed many of the CETA employees to displace workers at the Job Corps. This was done to preserve the seniority of the CETA bureaucrats, many of whom had been around longer than the Job Corps bureaucrats. But who had been doing a better job? The widely noted failure of CETA and the reasonably good track record of the Job Corps (which even Orrin Hatch likes) suggest that people who ran the Job Corps deserve their jobs more than the people who ran CETA....

The "Washington Talk" section of *The New York Times* recently turned the spotlight on three powerful but unrecognized participants in the budget process: **Stephen E. Bell**, staff director of the Senate Budget Committee; **Keith Kennedy**, director of the Senate Appropriations Committee, and **Roderick DeArment**, director of the Senate Finance Committee. To this list we would add **Jim Blum**, who's in charge of estimates at the CBO; **Paul Van DeWater**, who's in charge of long-term estimates, and **Pete Modlin**, the head of the budget review division at OMB, where all the numbers get pulled together before they land on David Stockman's desk....

James Baker continues to lean heavily on **Margaret Tutwiler**, who serves under him at the White House. They conferred repeatedly during the president's trip to China....

In

WHITE HOUSE

Member, President's Council on Environmental Quality—**Jacqueline E. Schafer** has been New York regional administrator of the Environmental Protection Agency.

COMMERCE

Assistant Secretary for International Economic Policy—**Joseph F. Dennin** has been deputy assistant Commerce secretary for Africa, the Near East and South Asia.

DEFENSE

Director, Strategic Defense Initiative—**James A. Abrahamson**—has been an associate administrator for space flight.

Assistant Navy Secretary for Shipbuilding and Logistics—**Everett Pyatt** has been principal deputy assistant secretary for shipbuilding and logistics since 1981.

Assistant Secretary for Research and Technology—**Robert S. Cooper** has been director of the department's advanced research projects agency.

Assistant Secretary for Reserve Affairs—**James H. Webb Jr.** is a former chief minority counsel of the House Veterans' Affairs Committee.

Assistant Secretary for Development and Support—**James P. Wade Jr.** has been principal deputy undersecretary for research and engineering.

LABOR

Assistant Secretary for Legislative Affairs—**Jonathan W. Sloat** is a former general counsel and legislative liaison at the U.S. Information Agency.

AGENCIES AND COMMISSIONS

Member, Securities and Exchange Commission—**Aulana L. Peters** has been a private attorney.

Out

WHITE HOUSE

Administrator for Regulatory Affairs, Office of Management and Budget—**Christopher C. DeMuth** has resigned to enter private business.

Deputy to the White House Counselor—**James E. Jenkins** has resigned to go into private business.

COMMERCE

Assistant Secretary for International Economic Policy—**Alfred H. Kingon** has resigned to become assistant Treasury secretary for public affairs.

Assistant Secretary for Trade Development—**Richard L. McElheny** has resigned to become international trade director in the Washington government services offices of Price Waterhouse & Co.

INTERIOR

Director, Office of Surface Mining Reclamation and Enforcement—**James R. Harris** has resigned.

LABOR

Chief of Staff—**Mark D. Cowan** has resigned to become chief executive officer of the Home Builders Association of metropolitan Denver.

Assistant Secretary for Legislative Affairs—**J.J. O'Donnell** has resigned.

AGENCIES AND COMMISSIONS

General Counsel, National Labor Relations Board—**William A. Lubbers** has retired.

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"It Must Be Legitimate, Thelma, They Advertise in the Wall Street Journal."

Consider the case of Joanna Gatens, a cleaning women in Coldale, Pennsylvania. In May 1979, she saw an ad in *The Wall Street Journal* touting Krugerrands (the South African gold coin) as a hedge against inflation. Had the ad appeared in the *National Enquirer*, it might have raised some eyebrows; but *The Wall Street Journal* was a respectable financial newspaper. Ms. Gatens took the clipping home and dialed the toll-free number of the International Precious Metals Corporation (IPMC) of Fort Lauderdale, Florida. Without receiving any further literature or seeking professional advice, she and her husband were cajoled by a skillful salesman into sending $3,358 of their life's saving for 40 of the South African coins.

That was just the beginning. After a year of similar persuasions initiated by the firm, she and her husband had parted with $66,000, including all their government "E" bonds. By January 1980, when they wanted to sell off their investment (which was mostly in silver by that time), it could have been worth $756,000, according to Commodity Futures Trading Commission Judge George Painter, who eventually heard the case. The value of the metal had rocketed up that much during the period. Soon thereafter, however, the market tumbled. The Gatenses had not known that IPMC had not sold their holdings when they had requested, and that IMPC was not required to do so.

In fact, when the firm finally got around to liquidating the account two months later, it said there was no money left. Most of the wipe-out

Arthur Rowse is a writer living in Washington.

BY ARTHUR ROWSE

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resulted from the market tumble, but Judge Painter said that IPMC salesmen had also "churned" the original investment, using it to buy and sell metals 68 times during the ten-month period. This churning generated commissions and fees that ate up 83 percent of the initial investment; formally, the Gatenses were notified, by phone, but in reality they understood very little of what was going on. Mrs. Gatens, who is now a widow, was awarded $370,000 in damages, but the company denied any violations and asked the CFTC for a full review. She has not received a penny as she struggles to support both herself and her teenage daughter.

Meanwhile, the firm still advertises in the *Journal* and other publications as "America's Premier Precious Metals Dealers." Its ads assuage a reader's doubts by proudly noting that it is "registered with the Commodity Futures Trading Commission," the federal regulatory agency.

Or consider the case of Joseph Piskur, a 69-year-old Navy veteran and building guard who had seen one of the same firm's ads in *Money* magazine. He made his first investment in precious metals in 1977, and over the ensuing three years he entrusted the company with $120,000, nearly all he had. His final statement from the firm showed he owed it $41,000, despite the boom in silver and gold over that period. Judge Painter determined that salesmen for the firm had used Piskur's money to buy and sell silver in transactions totaling more than $3 million, sometimes without checking with Piskur and always without his understanding what was really happening to his money. Painter awarded this unwary fellow $177,000, which equaled the amount in commissions and fees that the firm generated through all these transactions.

That was in 1982. Today, Mr. Piskur is still waiting for his money. The CFTC has not yet gotten around to the firm's appeal. (IMPC claims that it has not violated any CFTC regulations.) Even if the agency upholds its judge's decision, the firm can still appeal to the courts, and keep the wheels of justice grinding longer than Piskur himself may live.

The romance of leveraging

Piskur and Gatens are but two of the many losers in what has come to be known as the "leverage contract" game, which is one of the shadier corners of the flourishing commodities speculation business. Nobody knows the total number of innocent investors who have been made destitute by such schemes, but the evidence suggests that a good many have lost heavily. There's no shortage of horror stories about innocent victims taken in. When asked by a reporter whether he had churned his cutomers' accounts, a former leverage salesman replied, "chur ning and burning...you got it." Many victims are too humiliated, or financially demolished, to seek redress throught the courts.

Despite its technical-sounding name, a leverage contract is really not that hard to understand. Acccording to the theory the firms impress upon their potential customers, the contract enables the customer to cash in on a possible increase in the market value of some precious metal. The investor makes a relatively small down payment, agreeing to buy a much larger amount of the metal in question at a set price at some point in the future. If the value of the metal rises over the period, the investor pockets a gain. If it doesn't, well....

So far, it seems a great deal like an ordinary futures contract, the kind that started as a way for farmers to lock in a price for their corn or wheat at planting season and has mushroomed into virtually every corner of the pecuniary imagination in recent years. Indeed, the lure of "leveraging" a relatively small investment into a very big gain is much the same. The "leverage contract" people, however, have employed the best legalistic minds to dispute that designation, because if they are adjudged to be selling "futures contracts," then by law they must trade on a commodities exchange and be subject to its regulation, and all the fun would be gone.

Hence the leverage houses will talk at great length—to regulators, not their customers—about aspects of these contracts that set them apart (in ways that just happen to work to their own, not their customers', advantage). In a regular futures contract, the investor's fortunes are tied directly to the market. You put your money on pork bellies; if pork bellies go up, you win, and the firm you deal with takes only a relatively small cut as a commission. With a leverage contract, all the risks of the futures contract are there, and then some. In effect, the leverage house usually becomes an adversary that tries to make money from—rather than for— its customer. Under the rules that applied until last month, a firm was not even required to "cover" a customer's investment—buy the metals specified in the contract—so it was to the firm's advantage to discourage a customer from taking his money out at a profit. Leverage dealers have also been free to set "buy" and "sell" prices unrelated to the market, and to impose a variety

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If it ain't broke don't fix it!

–Traditional American Adage

But what if it's broke?

Sure there's a time to leave well enough alone. To make no waves. To stay the course (if you'll pardon the expression). And then there's a time that cries out for action–a time when leaving well enough alone means drifting toward disaster. A time like the present.

The Progressive has lots of experience in trying to figure out what's broke in our society–and how to fix it. Every month we bring you reporting and analysis you can't find anywhere else. For us, as for more and more Americans, averting the ultimate catastrophe of nuclear holocaust is Topic A. **The Progressive** is at the cutting edge every month with articles and commentary on new initiatives for peace–or war. But nuclear issues are by no means **The Progressive**'s sole concern or interest. Each month you'll find lively, penetrating articles dealing with:

- Reaganomics and other current idiocies.
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- Attempts by officials or self-appointed censors to deprive Americans of their First Amendment rights.
- Grass-roots efforts around the country to fashion a new kind of politics that will respond to people's needs.

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The Progressive has no neat dogma, no tidy party line. But we have some ideas you're likely to share about what's broke–and some notions you're likely to find useful about how to fix it.

See for yourself–we'll send you a **FREE** issue–absolutely no risk to you. Send in your coupon **today**. It's time to get some things fixed!

Yes! It's time to get some things fixed. Send me my **FREE** copy of **The Progressive** and reserve my subscription at the special introductory rate of **$15** for 11 more issues–a whole year for **$9** less than the newsstand price.

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of charges, including transaction fees and interest on the customer's unpaid balance (the difference between their down payment and the total investment they agreed to make). The firm functions, in short, as a sort of "rigged exchange," one CFTC official said. A former high CFTC official likened leverage to a "shell game, in which the company bets that you will lose and then makes certain that you do."

It isn't that nobody in Washington is wise to the scheme. It is that the industry—the term is flattering here—has mustered a surprisingly strong lobby to prevent effective action. Early on, leverage firms worried that the states or, still worse, the Securities and Exchange Commission, might crack down. To forestall such misfortune, they managed to get themselves written into the 1974 act creating the CFTC. Here, they thought, would be an obscure, underfunded outpost of the bureaucracy that would not presume to second-guess those who merely embody natural and inexorable market forces.

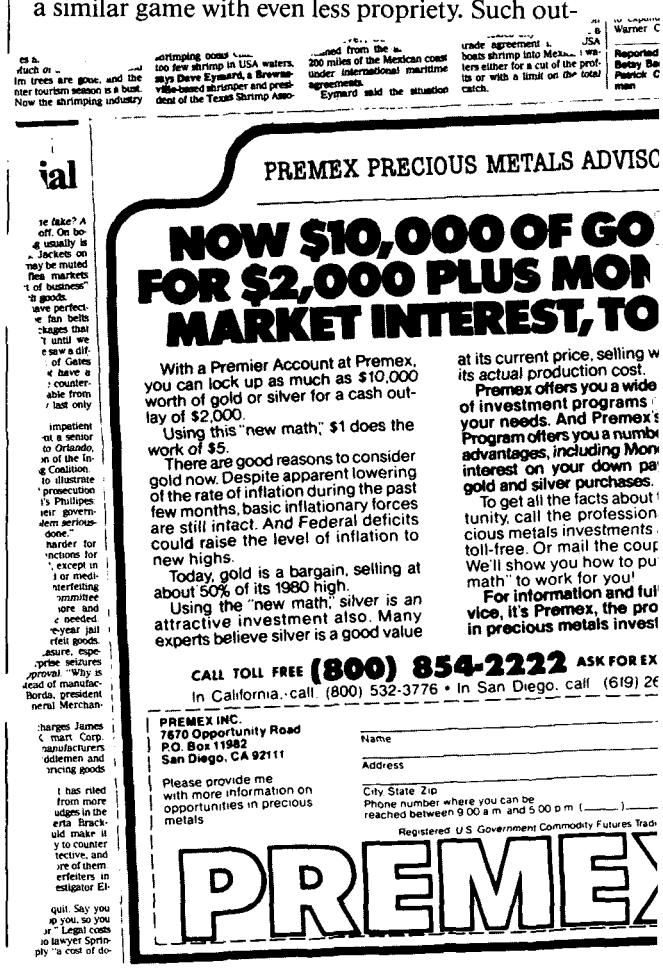
When the CFTC showed unexpected curiosity regarding these leverage contracts, however, the firms prevailed once again upon Congress, and eventually worked out a deal. In June 1978 the commission put a freeze on licenses, giving the four solvent firms a monopoly. Meanwhile, it would study the problem.

In 1979, under new leadership, the commission's general counsel ruled that the leverage firms were in fact selling futures contracts, which they were not registered to do. The commission itself concurred unanimously, in a vote that in effect would have put them out of business. Once again, Congress intervened. Senators Herman Talmadge and Jesse Helms, then chairman and ranking Republican, respectively, of the Senate Agriculture Committee, and their counterparts in the House, wrote to CFTC Chairman James Stone expressing (in almost identical language)indignation at this affront to an "otherwise lawful business" and instructing the commission to regulate these firms, not eliminate them. First National Monetary Corporation and another firm, Monex, actually petitioned the agency for regulations.

Investors and the general public never knew what happened. In proposing the first rules for leverage firms in June 1983 the CFTC published in the *Federal Register* not the rules themselves, but rather a mere notice of their "availability." Had to save money, the commission said. And when the final regulations finally did appear in full in the *Register* earlier this year, they were virtually ignored by both the business and the general press.

So it should not be surprising that the resulting rules are less than stringent. The firms do have to "cover" most customer funds, but not necessarily by buying metals. They also have to relate buy and sell prices to an index, and they have to disclose more than they did before. But they are still free to charge the same fees as before and to widen the "spread" between buy and sell prices. This enables a firm to cut from 2 percent to 10 percent or more off the sell price and possibly wipe out a customer's profit. "They can still skin people alive," says the CFTC official, who calls the new rules themselves "fraudulent."

The three registered leverage firms—IPMC, FNMC, and Monex —are not dealing in small change, with sales totaling from $2.5 to $5 billion a year, depending mostly on gold and silver prices. (A fourth firm, Premex, recently lost its license on a technicality and went into receivership.) These firms, moreover, are just the tip of the iceberg. An estimated 8,000 unregistered leverage houses and "bucket shops" are playing a similar game with even less propriety. Such out-



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fits may skip town after collecting lots of cash, leaving customers holding the bag. They play the old Ponzi game, paying off prior customers with the deposits of newer ones until they reach the point of no return. Most are small, but some grow quite large before the bubble bursts. The International Gold Bullion Exchange (sounds impressive, doesn't it?), which went under in 1983, had a safe containing only wooden bars painted gold. Most of these firms operate in Florida, California, and New York.

In 1982, the Senate Permanent Subcommitte on Investigations estimated annual public losses from such commodity schemes at $200 million. Last February, the subcommittee raised that figure to $1 billion, a five-fold increase in only two years. Neither the CFTC nor state regulators have the staff to track all these operations down. Utah's state securities division has only one investigator and not a single employee capable of reading a financial statement.

How ads hook customers

Given such exploitative practices, and the financial loss they have inflicted upon the public, you'd think that leverage contract firms might have some trouble attracting new customers. Not so. The CFTC registration gives those select firms an imprimatur of respectability which, as mentioned, their ads proudly boast about. Perhaps more important, these firms continue to advertise in some of the nation's most prestigious publications.

Neither these publications nor the popular press generally have ever told the full story of leverage contract misdoings or their perpetrators. The occasional headlines written when a big bucket shop, such as IGBE, is exposed by authorities, give rise to a vague awareness that commodity contracts can be risky. But few people realize the extent of the risk in dealing with firms not trading on exchanges, whether or not these firms are registered with the CFTC.

The registered firms depend almost entirely on ads in widely read and trusted publications such as *The Wall Street Journal*, *USA Today*, *Money*, and *Changing Times* to attract customers. Note, for example IPMC's ad in *Money* (reprinted on page 37 of this magazine) that promises to pay investors 13.5 percent interest on "the money you invest in gold and silver." What the ad does not say is that investors usually *pay* more interest on the unpaid balance than they get in interest on their down payment. Take a look also at the Premex ad in *USA Today* (page 40) saying you can "lock up" $10,000 of gold for $2,000 "plus money market interest." The ad does not say what many people find out too late: that the firm's various fees and charges averaged 9.5 per cent, not just of the down payment, but of the total investment of $10,000. That means you would have to make $950 on the deal just to break even. Often half or more of the downpayment is consumed by this "front-load," even for investors who want to back out of the deal before making any further purchases.

> The cleaning woman and her husband responded to the investment ad in The Wall Street Journal, and not long afterwards, found their entire investment wiped out.

No commodities expert or professional investor would be likely to respond to such an ad. But thousands of other, more innocent, investors are ready to send in their life savings, based largely on their trust in the publications printing the ads and the absence of critical articles or broadcasts about the risks involved.

There is no shortage of reporting opportunities in the commodity field. First, there are the poignant stories of the Gatens and Piskur variety played out almost daily in public hearings at the CFTC and in state and federal courts but almost never covered by the media. Then there are the attempts of Congress and the CFTC to investigate the problems and spur more law enforcement. Senate hearings opened a gold mine of newsworthy items in 1982 and again last February. Then there are the two new sets of regulations that the CFTC recently adopted.

Yet general news organizations tend either to ignore the CFTC or to treat whatever it does as a story only for the business section. The only detailed explanation of the leverage business was done by the Commodity News Service in 1982 as part of an effort to interest general papers in tak-

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ing the CNS package. The effort failed. The series of seven stories was virtually ignored; it did not even stir other news organizations to take their own look at the controversial topic. Neither the Associated Press nor United Press International, the main news services in this country, watch the CFTC closely. They get releases by messenger and tend to monitor business wires for other developments. The chief of the agency's press office said that in the three years she has worked there, she has never seen the UPI reporter assigned to the agency. Reuters, the British-based service, provides the most thorough coverage among general news services. On television, the only glimpse of the leverage contract scene has been a seven-minute segment on Cable News Network last fall.

Except for the cases of the most sensational failures, daily papers usually treat the subject as a local matter. The best job is done by the *Los Angeles Times*. (Los Angeles is where many of the worst operations are based.) Local papers do a respectable job in the Fort Lauderdale-Miami area—another hotbed of scam operations.

These scattered papers tend to keep readers far more informed than the large national papers do. For example *The New York Times* ran nothing on the two Senate hearings this year, despite testimony from prosecutors, victims, and perpetrators that other papers such as the *New York Daily News* and *The Washington Post* considered newsworthy. *The Wall Street Journal* also ignored the hearings, while *USA Today* found room for only one paragraph despite plenty of copy from AP, UPI, and Reuters as well as the obvious relevance of the subject to its readers.

The *Times* also neglected to cover similar hearings in February 1982, but it had space for some large ads for IGBE, the very type of operation that instigated the Senate investigations. The *Journal* reported on two of the three days of testimony that year.

The *Journal* deserves special mention. Although originally a newspaper for business executives and professional investors, its broad coverage of society and its aggressive efforts to sell papers to the general public make it, increasingly, a general-interest newspaper. Its 2 million daily readers undoubtedly include a healthy percentage of amateur investors. Yet the *Journal* continues to treat the entire commodity business as a specialized area of interest only to professionals.

Despite its vast resources, including separate staffs of commodity reporters in Chicago, New York, and Washington, the *Journal's* Washington coverage of the CFTC rarely goes beyond routine press releases. Detailed reports are limited to occasional scandals, which the paper may not get around to until long after others have done the job. For example, the *Journal* recently featured prominently, in an article on a commodity scheme that involved a CIA connection in Hawaii, a story told in great detail four months earlier by *Money* magazine.

The government's passivity toward this financial abuse could not have occurred if the press had been onto the story.

Unpublished findings

Why has this widely praised paper never carried an in-depth piece on the leverage contract business, especially when carrying ads for such firms? There may be more than meets the eye. Last year, John Emshwiller, an assistant editor in New York specializing in commodity news, interviewed dozens of experts on the subject in and out of government. Yet nothing ever came of his work. When asked about it for this article, he claimed to have found nothing worth writing about. He added: "Whenever I find that there is a story on this subject, I will see that it is published." Managing Editor Norman Pearlstein declined to talk with me when I phoned about commodity news coverage, but a week later, a story urging gold investors to be careful appeared on the first page of the second section, despite the lack of any apparent news angle.

If the *Journal* really wanted to cover commodities in full, it would be easy, according to Daniel M. Rosenthal, editor of the *Silver and Gold Report*, a newsletter based in Bethel, Connecticut. In November he reported that Premex was heading for serious financial trouble. The *Journal* did not report the story until the firm went into receivership three months later. Rosenthal claimed he also beat his larger rival with exclusives exposing IGBE long before it too went under, leaving 23,000 customers waiting for some $75 million. He accused the *Journal* of "lusting

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after advertising bucks from unsavory or unsound dealers," by allowing IGBE to advertise in the paper right up to the end. "If you're willing to dig for the facts," wrote the newsletter publisher, "the stories are out there waiting, no, begging, to be written up." Though he himself has recommended Monex to his readers, Rosenthal calls press silence on leverage contracts "the most shameful role of all."

Gannett's *USA Today* is another purveyor of silence on commodity schemes while taking ads for them. J. Taylor Buckley, editor of the paper's "Money" section, said he was unfamiliar with the leverage contract business despite having frequently run a quarter-page ad in that section. The ad was often the only display ad of that size. He said he was "embarrassed" to be reminded that the paper ran only one paragraph on the February Senate hearings. "We don't cover commodities extensively or regularly," he explained. "But we do occasional stories of a how-to nature advising that not everybody belongs in the commodities field."

When asked why the paper ran ads for leverage houses, he said he presumed that company officals had approved them. "If you are implying that there is any connection between our taking the ads and failing to do more to cover the field, that is preposterous."

Both the *Journal* and *USA Today* have created an obligation to readers in addition to that of covering the news of the day. It stems from their concerted efforts to portray themselves as friendly financial advisors, ones you can trust to provide information you need for your own financial protection and profit.

In its most recent annual "Report to Readers," *Journal* Chairman Warren H. Phillips spoke of such things as the "public's right to information" and the paper's plans to strengthen coverage of money management and become "more useful to you." He added that the paper "will continue to take great pains to be worthy of your trust" and "take elaborate precautions against real or perceived conflicts of interest." He cited polls indicating that the *Journal* is more believable than any other paper.

Advice to the reader is also emphasized by *Money* and *Changing Times*, the monthly "bibles" for three million amateur investors and money-wise consumers. Both occasionally have described bucket shops and other scams, but neither has more than briefly mentioned the leverage business. And both continue to print ads for such outfits with full knowledge of the risks that readers face. Both periodicals have been cited in numerous lawsuits as the source of the information that led an unsuspecting investor down the slope of financial despair. And both have received irate letters from readers complaining about the ads. *Money* even ran ads for IGBE, the biggest bucket shop of recent times, as well as a column by an investment advisor recommending a leverage firm to readers.

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Silver prices are near the lowest they've been in 3 years — approximately 80% lower.

2 SCARCITY
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3 INSURANCE
You can help protect yourself against both hyper-inflation and recession alike by investing in U.S. silver coins.

4 GUARANTEE
U.S. silver coins can never be worth less than their face value and are recognized worldwide.

5 TIMING
The time to buy silver is now, *before* the inflation spiral restarts and silver prices make their next big move.

6 LEVERAGE
Silver coins are easy to buy for cash, or on margin — which enables you to control up to four times the amount of silver in an all-cash purchase.

You may purchase pre-1965 U.S. 90% silver coins from Monex in bags containing approximately 720 troy ounces of silver — in dimes, quarters or half-dollars — each bag having a $1,000 face value. Or choose 1965-1969 U.S. Kennedy 40% silver clad coins — also available in $1,000 face amounts.

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MONEX

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Reporters and editors at *Money* have long been embarrassed by the ads. "We have screamed and yelled at the ad department," in the words of one, "until they finally pulled some of the ads in question." I was denied a request to question William M. Kelly Jr., the magazine's publisher, about his policy on advertising.

Kiplinger's *Changing Times* also has published leverage ads while failing to explain the business. Marjorie Whyteits editor, said the ad review committee, on which she sits with the managing editor and publisher, has been "taking a close look" at these ads since last fall when a reader complained. She said the magazine recently "put a hold" on some leverage ads while continuing to run others, presumably because of a long-range contract.

Loose screens

Both magazines and both newspapers claim to have some type of screening process for advertisements, presumably checking the firms' financial stability and its regulatory records. But the process obviously has failed to work in the commodities area, and not for lack of available information. A check with the CFTC not only would have disclosed enough information to raise questions about advertising suitability, but also would have provided enough news to fill many columns with lively stories.

For example, the record on Premex shows that on July 12, 1982, Administrative Law Judge George Painter of the CFTC declared the company "unfit" to be registered as a futures commission merchant and imposed a $250,000 fine. Yet Premex continued to advertise freely for new customers for more than a year and a half while the CFTC pondered its final decision. It confirmed Painter's decision last February 1, and the company eventually went into receivership.

Readers of these publications are not the only victims of sparse reporting. So are those who rely on other media outlets, which have done even less. And so are regulators charged with protecting the public. Failure to shine a light on the CFTC has helped it live up to its reputation as the weakest regulatory agency in Washington. Lack of attention has kept its budget down, too, leaving it with only $25 million to watch over a $1 trillion industry with more than 140 million transactions a year. A California state official told the Senate hearing that the commission had only two experienced lawyers and no investigators to handle all western states. "It's absolutely ridiculous," said a New York official at the hearing. "The con men know what is going on. They know the CFTC cannot handle it. Deregulation may be all right, but it could be at the cost of millions of dollars lost by the investing public."

Complaints from customers of the four leverage contract firms have constituted about 10 percent of all commodity complaints to the agency and have been growing steadily, according to officials there. Most of these reparation cases (requests for refunds) have ended in settlements or orders for a refund on grounds that the firms violated commission rules. Yet, despite this growing mountain of evidence, the agency has been reluctant to go after these firms. Although the CFTC once charged Premex with fraudulent practices, it was a technical charge of having an invalid license that finally put the firm out of business. An agency case against IPMC for fraudulent practices ended up with a $250,000 penalty and a consent order in which the firm neither denied nor admitted the charges. In cases pending against Monex and FNMC since 1979, the agency has been seeking to invalidate only certain types of contracts they sell. Phone calls to all three remaining registered firms were not returned.

Not only has the CFTC enacted regulations which do little more than give a stamp of legitimacy to a very questionable business, but in a classic, fox-guarding-the-chicken-coop manuever, the commission recently revised its reparations rules in a way that will channel more cases into an industry-run arbitration system. The agency's own law judges opposed the changes because they allow no appeal to the agency or to the courts. This sweeping reduction in investor rights was virtually ignored by both the business and general news media.

The agency's passivity in the face of such financial abuses could not have occurred without the neglect of those whose job it is to report the news. Thanks largely to the press's negligence, unsavory elements of the business have had almost unlimited freedom to swing their surprising weight in Congress and at the commission. The commission itself has become a notorious revolving door through which industry and government personnel pass easily from one side to the other as the scope of commodity schemes becomes ever wider.

What is the answer? Is it another round of educational leaflets warning the investing public, as the Senate subcommittee has suggested? Far more effective would be for the news media to simply report what is going on in these newsworthy enclaves of the commodity business. ■

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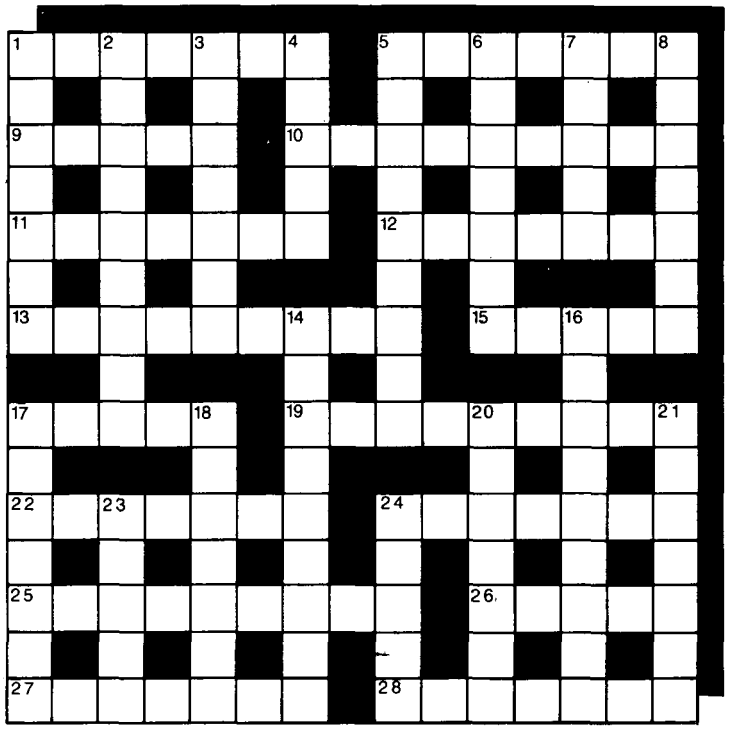
POLITICAL PUZZLE

by John Barclay



The numbers indicate the number of letters and words, e.g., (2,3) means a three-letter word. Groups of letters, e.g., USA, are treated as one word

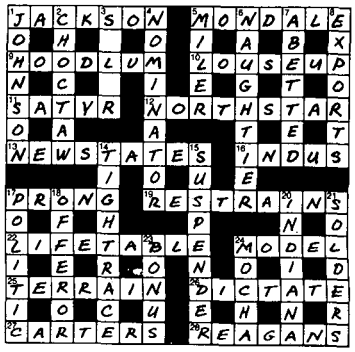
ACROSS

1. Reagan problem seemed strangely Eastern. (2, 5)
5. North American noble messed up Reagan project. (7)
9. Examine uranium in coal mine passage. (5)
10. Turning back about translation. (9)
11. Hundred cheers orchestrated for loud noise. (7)
12. Awe becomes an illusion moving about. (7)
13. Surprising fish after beginning of race. (9)
15. Encourage pet after start of physical exercise. (3, 2)
17. Block poets' shifting. (5)
19. Taking away from crazy gin-cued touchdown. (9)
22. Whimsically cited Los Angeles manner of speaking. (7)
24. State in the manner of two degrees in order. (7)
25. It's wonderful to make a slur move. (9)
26. Country captured by Thai tiger. (5)
27. Political race for examination of prisoners? (7)
28. Candidate against Nicaraguan caper from the start? (7)

DOWN

1. Goes by and pleases awkwardly. (7)
2. Current expression upsets trade norm. (6, 3)
3. Beg to make tea neater. (7)
4. Work or worm. (5)
5. Highly mortgaged Everglade construction. (9)
6. Poet wins and gets mad? (5, 2)
7. Cacophony in Hanoi Serenade. (5)
8. Noon STP treatment makes trip go faster. (7)
14. Where winning ticket was selected. (2, 7)
16. No luxuries or VIP ain't involved! (9)
17. Excellent minced pie common in the region. (7)
18. Creeped strangely to have higher rank in Washington. (7)
20. Talk with bad actor on Cape Cod. (7)
21. Tearing roughly favorite Washington material. (7)
23. Moses' brother puts Reagan on the wagon? (5)
24. Sonar specially manufactured for crime. (5)

Answers to last month's puzzle:



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MEMO OF THE MONTH

United States Senate
WASHINGTON, D.C. 20510

March 13, 1984

Mrs. Bruce Lees
9701 Elrod Road
Kensington, Maryland 20895

Dear Mrs. Lees:

Thank you for getting in touch with me to express your concerns regarding proposed constitutional amendments on school prayer. As you know, I have voted repeatedly against legislation that would preclude court challenges of the constitutional considerations involved in this issue by prohibiting the Justice Department from spending money to block implementation of voluntary school prayer programs.

It is most helpful to know of your own concerns about this very important matter, and I greatly appreciate your taking the time to share them with me. I hope you will not hesitate to contact me if I may be of assistance to you in the future.

With best regards,

Sincerely,

Paul Sarbanes

Paul S. Sarbanes
United States Senator

PSS/jkr

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The Day the PTA Stayed Home

In the wake of all the bad publicity our public schools received this past year, education has become a major political issue. But one politician—Lamar Alexander, the Republican governor of Tennessee—had public education on his mind long before the latest flurry of commission reports and stump speeches by presidential candidates. During his 1978 campaign, Alexander took a much-publicized 1,000-mile walk across the state. He spent four months on the road, slept in 81 homes, and visited dozens of schools. His impressions were dismal: "I met teachers, saw the elementary school curriculum, saw some schools didn't have any curriculum. I saw poor management, lazy management... [and] how dominant the teacher union was, how inattentive parents were. And I saw the results—poor scores."

Some of the problems in Tennessee were directly traceable to money—or the lack thereof. The state ranks 47th in spending per pupil. Average teacher salaries—in 1983, estimated at $18,230 a year—put the state 43rd. Starting salaries in some rural Tennessee districts were as low as $12,170.

But Alexander realized the problems in Tennessee went deeper than money. There was something fundamentally wrong with how the state's teachers were evaluated and rewarded. He described the problem bluntly in a television commercial he made in 1983, exhorting viewers to join his ad hoc group, Tennesseans for Better Schools. "After 10 years, our best teachers make this much," he says, as the camera zooms past him, jacket cast aside, chalk eraser in hand, to the figure $16,079 scrawled on the blackboard. "And our worst teachers make this much," he explains, as viewers see a close up of the same $16,079. "That's not right," he continues. "Our best teachers should get higher pay for doing a good job." Alexander had a plan that would do something about it.

That plan was first presented to the Tennessee legislature in January 1983. It called for the creation of a "career ladder" for teachers that would offer the best instructors raises of up to $8,000. But to get those raises, the teachers, called "Senior" and "Master" teachers, were to be judged by their classroom performance—not solely according to their seniority or academic degrees.

By proposing that teachers be paid according to some measure of merit, Alexander was endorsing an approach that would soon gain wide public support; a Gallup poll a year ago found that the public supported merit pay by a 2-1 margin. A number of commissions, including the President's Commission on Excellence in Education, would shortly recommend such a plan. Even so, by the prevailing standards of the teaching profession—where tenure was granted routinely after a few years, where raises were based solely on seniority and the possession of academic credentials, and where firing a teacher was nearly impossible save in the case of gross misconduct—Alexander's scheme was nothing short of radical.

Hope Aldrich is a writer living in Washington.

BY HOPE ALDRICH

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It was also full of political risks. Alexander, a Republican governor, faced 2-1 Democratic majorities in both the state Senate and the House. His plan would cost $1 billion over three years, which would require a hike in the sales tax—this in the fifth poorest state in the country, where unemployment stood at an unprecedented 13 percent. But he was determined. "This is the most important proposal I will make in my eight years as Governor," he declared upon unveiling the plan. "I'm going to fight for it as hard as I've ever fought for anything in my life."

Few doubted that Alexander could muster a good fight. He was popular—reelected to a second term in November 1982 with 60 percent of the vote—and politically savvy. His connections to the Tennessee business community gave him ready access to money. Yet his roots in the small town of Maryville, where his mother taught kindergarten for 35 years, made him just as comfortable talking to concerned citizens in the state's many small communities.

But on January 26, 1984, almost a year from the day he first introduced his plan, Alexander's allies in the Tennessee legislature were forced to strike a muddy compromise with opponents of the bill. Alexander won his much cherished "career ladder"—but he lost or compromised on several other key issues he believed necessary to insure that the ladder didn't become just an expensive, and perhaps ultimately useless, addition to an already complicated system. "It could turn out to be no more than a bloated piece of machinery that falls down, or a bloated seniority plan based on no strong evaluation system," observes Lewis Lavine, one of Alexander's aides. As the legislature hammered out the final points of the bill last February, Alexander seemed more like a beaten man than a victor. "I've run for office three times," he said wearily. "But nothing compares to this. It's by far the most difficult thing I've ever been through in my life. I've spent 70 percent of my time on it." He tried a weak smile. "The idea seemed so simple—rewarding outstanding teachers."

Building a summit

What happened in Tennessee has national implications. More than 25 state legislatures are grappling this year with innumerable proposals to improve the schools. Proponents of such bills—and everyone else concerned about the quality of our schools—would do well to understand some of the lessons Alexander learned in Tennessee.

The call for a career ladder was just one part of a ten-point reform package that also included many other improvements, such as mandatory kindergartens, more computer classes, and some attractive sweeteners for higher education interest groups, such as building a new library for the University of Tennessee at Knoxville. To finance the reforms, Alexander proposed a one-cent increase in the state's sales tax. However, the governor made it clear from the start that he would not sign the omnibus package if the controversial career ladder plan was chopped out. No career ladder, no bucks for anything else, he warned, using the same tactic that Bill Clinton, Arkansas' governor, would use successfully later in 1983 (see sidebar, p.50).

As for the career ladder—the centerpiece of the reform program—Alexander proposed creating three different categories for tenured teachers: Professional, Senior, and Master. This contrasted with the existing system, which made no distinctions among tenured teachers. After a teacher gets tenure—in Tennessee usually three to five years after entering the profession—he or she receives predictable salary increases based solely on seniority and the academic degrees they possess. Alexander wanted to build a summit into the flat and unvarying career track. "We wanted teachers to look up to the top of the mountain and think, 'I could get there some day,' as one of his aides put it.

The plan went through many changes over the months. But originally five key principles underlay Alexander's call for a career ladder:

1) Major salary increases would go only to those on the top two rungs of the ladder. To become a Senior or Master teacher, an instructor had to demonstrate "proof of successful continuing performance in the classroom." (Senior teachers also needed at least eight years of experience, master teachers at least 13.) Those who qualified received pay hikes of $4,000 and $8,000, respectively. Teachers in the professional category would get only a minimal pay increase of less than 2.5 percent during the first year of Alexander's program.

2) A teaching certificate would be valid for no more than five years for teachers on the career ladder. Currently, a tenured teacher in Tennessee can renew a 10 year certificate simply by completing eight credits in education courses during those years. If he has a master's degree, no coursework is required. Under Alexander's plan, teachers could avoid recertification only if they elected not to get on the career ladder. Those who wished to compete for the large bonuses—and

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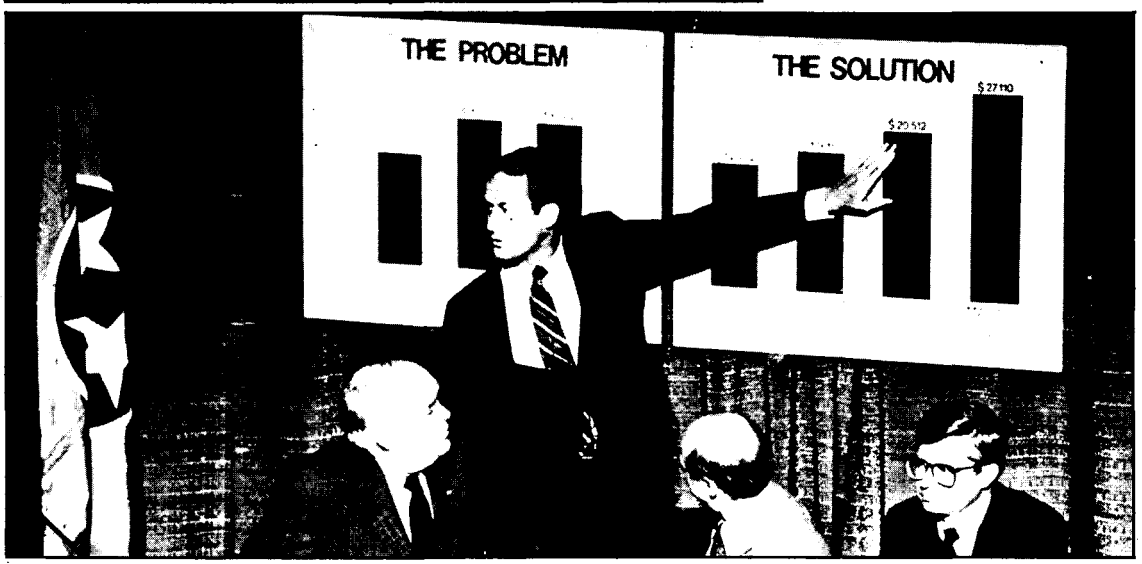
Governor Lamar Alexander of Tennessee was popular and politically savvy. But not even the national publicity his Master Teacher plan received could keep the teachers lobby at bay.

the top two rungs of the ladder would be strictly limited. The quotas Alexander proposed were 11,500 Senior teachers, and 4,650 Master teachers—16,650 slots in all for Tennessee's 46,000 teachers. This would keep costs manageable, and insure that the top two rungs on the ladder retained their distinction.

5) A cap would be placed on the number of Senior and Master teachers funded by the state in any one district. This would help poor districts compete for talented teachers. Without the cap, wealthy districts like Oakridge, which pays a teacher with 15 years experience and an M.A. degree a hefty $25,682 a year, could easily lure away the most talented teachers of districts with lower salaries such as Hancock, which pays the same teacher $15,675.



all new teachers— would be reevaluated every five years. The evaluations would be based heavily on classroom performance. If the teacher failed repeatedly, he would lose his license—that is, he would not be permitted to teach.

3) The evaluation of teachers would be shifted from the school district level to the state. To avoid cronyism and possible use of the system to get rid of teachers for political reasons, the evaluations would be performed by Master teachers and others from outside the district. A special certifications commission would develop stiffer and uniform standards for all the state's school districts. The evaluation procedure itself no longer would be a negotiable item in local collective bargaining.

4) The number of teachers who could reach

How did this plan compare with the final compromise signed into law this March? Alexander got his career ladder. But he lost or compromised on most of the five key principles he felt were necessary to insure the integrity of the plan. He lost on salaries; increases of 7 to 10 percent will go this year to all current teachers, regardless of performance. He lost on the quota proposal. There are no limits on how many teachers can become the "best." After a fierce battle, he also had to compromise on his desire to switch the evaluation process from local to state control. The result was a clumsy system where local districts will evaluate teachers who are on the first rung of the ladder, but the state will do so at Level II and III. (The titles Professional, Senior, and Master were changed to Level I, II, and III

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Meanwhile in Arkansas and New Jersey. . .

Tennessee isn't the only state where reformers like Lamar Alexander have been willing to risk the wrath of entrenched interest groups to improve the public schools. But just as Alexander saw his program diluted, in part because he failed to work out his evaluation plan for teachers before presenting it to the legislature, the efforts of Governor Bill Clinton of Arkansas and Governor Thomas Kean of New Jersey, while commendable, also could have gone further.

In Arkansas, controversy erupted last fall when Clinton proposed that all teachers pass tests before being recertified. The Arkansas Education Association called the tests "insulting and degrading" and threatened lawsuits; the National Education Association spoke of a national campaign to dissuade teachers from going to Arkansas. Nevertheless, the bill passed, along with a one-cent increase in the sales tax to support an increase in the base pay of all teachers.

Clinton's plan requires two tests: the first measuring "functional academic skills," the second, knowledge of subject matter. The clear though unstated purpose of the bill is to weed out bad teachers *already in the system*, a problem Tennessee's new plan inadequately addresses. The trouble is teachers who flunk the subject area test only need to take six hours of additional college credit in their subject area. (Education courses will not count.) Once recertified, teachers apparently are home free; the new law says nothing about subsequent retesting.

In New Jersey, there is a quieter—but in many ways more profound—educational reformation occurring. For the past few years the administration of Governor Thomas Kean has been remaking the state's teacher certification apparatus. New Jersey, like other states, receives hundreds of offers each year from eager, capable people to teach in the public schools. The state must refuse them because they lack the proper credentials from an education school. (Horror stories abound: one man, a retired professor of college physics, head of the New Jersey Physical Science Association, and an experienced tutor of high school students preparing for the Advanced Placement physics test, was not even allowed to *donate* his time to a high school physics department.) Beginning this May, qualified individuals with no education school training can acquire "on-the-job teacher certification."

Before the reform could be adopted, Kean had to outmaneuver the teachers union as well as the deans and professors of education schools, who feared a threat to their livelihoods. He won the unions over by asking them to help design the on-the-job training program. As for overcoming the doubts of the education establishment, a particularly effective lobbyist was Dr. Leo Klagholz, himself a former dean of an education school, who backed the plan.

Unfortunately Kean's efforts have not included a major initiative to improve the quality of teachers already in the system. Nor is it any easier to fire bad teachers to make room for the new ones under Kean's plan. This was the price, his supporters concede, of avoiding all-out fights in the state legislature, where the teachers unions have as much—if not more—clout as they do in Tennessee.

—Paul Glastris

because the Tennessee Education Association objected to titles that "implied competency," and because black legislators complained that the term "Master" conjured up disagreeable connotations of servitude.)

Alexander also had to make serious compromises on recertification. The five-year recertification requirement remains intact. But whether it will actually have any teeth at Level I—where at least 65 percent of the state's teachers will be—is now a "big if," according to state Senator John Rucker. He points out that evaluations at that level will be controlled locally, and subject to the collective bargaining process. Though the state is supposed to "review" all 145 districts' evaluation procedures, Rucker says it's difficult to predict how effective this mammoth review process will be.

Moreover, all current teachers were in effect grandfathered onto the career ladder's first rung, where the bill provides an immediate bonus of $1,000, via a special "fast track" with such minimal requirements that legislators say even the weakest teachers should be able to pass. Gone is the risk of losing tenure. "You don't have to change one thing you're already doing in teaching," explains Senator Anna Belle O'Brien, chairman of the Senate Education Committee.

In its final form, the plan gives more teachers a little, fewer people a lot. The method of selecting the "best" has been muddied, clumsily split between local and state authorities. There are no limits anymore on how many can become 'best.' And it may be no easier to fire a bad teacher.

TEA with sugar

Why was Alexander thwarted in his efforts to dramatically restructure the teaching profession in Tennessee? The major reason was the opposition of the teachers' union—a force he admits now that he naively underestimated.

The Tennessee Education Association, founded in 1867, boasts a membership of more than 80 percent of the state's 46,000 teachers. TEA flexes its muscles not so much with money—the group gives only from $300 to $500 to each local candidate it endorses—as with its extraordinarily efficient manpower machine. TEA has a political action committee in almost all the state's 145 school districts. On the state level, more than 30 lobbyists are on call and can follow up on their candidates once they are in office.

John Rucker, for example, is a Democrat from Murfreesboro who first ran for the state Senate in 1976, in a three-way primary. Once he an-

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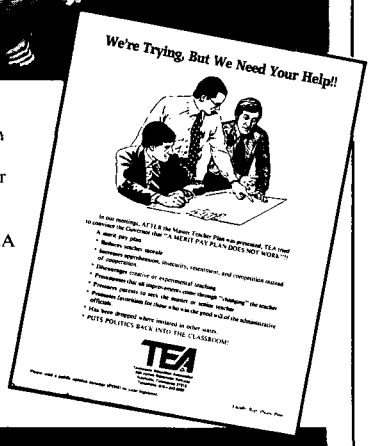

Above, Alexander shakes hands with his opponent on the master teacher plan, TEA president Marjorie Pike. Right: a TEA leaflet.

nounced his candidacy, he said, the local teachers union immediately called him in for an interview. The state's Education Professional Negotiations Act—a bill the teachers strongly supported—was coming up in the legislature. Would Rucker support it? When Rucker said yes, they endorsed him, gave him $500, and went into action: "They run ads in the paper for you, they go out, door to door, handing out cards for you," said Rucker. "They show up at your rallies. On election day, there were eight or ten of them out by the polls for me, saying, 'Don't forget to vote for John Rucker for state Senate.' They know 50 percent of your neighbors." Rucker said they're more active and aggressive than other groups. "They don't mind getting out and saying they support you. . . .That's where they get their power. I was convinced I won in '76 because of their support."

Once in Nashville, a legislator finds that the TEA has hardly forgotten him. There are the TEA mailings at least once a week, says Anna Belle O'Brien, including newsletters, announcements of "meetings in your area, or an award they want to give you for your help with the handicapped." She adds that they visit her office every week, and she never fails to see several of them attending her education committee meetings: "No other group is that thorough." She says, "They're also fair, honorable, factual. They respect you when you can only support them nine times out of ten.They don't sever relations over one bill." (Rucker and O'Brien will soon find out how true this actually is. Both broke with the TEA over the career ladder bill. Rucker became one of its sponsors and admits he fears what the consequences may be in his reelection campaign this year.)

TEA also has a long-standing reputation for being the "good guys" in the education arena. Union members have fought for such popular issues as free textbooks, state-funded kindergartens, special education programs, and improved vocational education courses. "They're very respected people in my counties," says O'Brien. All the more reason O'Brien and Governor Alexander were upset when, only weeks after Alexander proposed it, the teachers announced their adamant opposition to his reform bill, and began a massive campaign to kill it.

The TEA's opposition was hardly surprising. Like its parent organization, the National Education Association, the TEA has long fought efforts to institute merit pay and stiffer evaluation standards.

But the union had some legitimate concerns about the new plan. The bill might have offered a substantial, across-the-board salary increase for all teachers in exchange for their support of the new career ladder. Tennessee, remember, had some of the lowest salaries in the nation. But Alexander only offered a 2.5 percent increase the first year. (Over 4 years the total would be 20 percent.) "That was a big flaw in [Alexander's] argument," says Marjorie Pike, president of the TEA. "He didn't take into account that for just that little bit of money, teachers could have lost so much." Alexander finally responded to this initial criticism by offering a $1,000 bonus for most teachers.

Another complaint of the TEA was that teachers were being asked to accept a whole new evaluation procedure that hadn't been tested anywhere—or, for that matter had not even been written. In fact, the criteria for evaluation weren't drawn up until April, and the complex details weren't finished until 11 months *after* Alexander introduced his reform package. Even then, the preparation was so rushed that the associate professor from Vanderbilt University hired to develop it resigned in disgust.

The bungled timing gave the leadership of the teacher's union a tactical opening they could exploit to mobilize opposition to the plan. One of their leaflets, for example, pictured a Pac-Man

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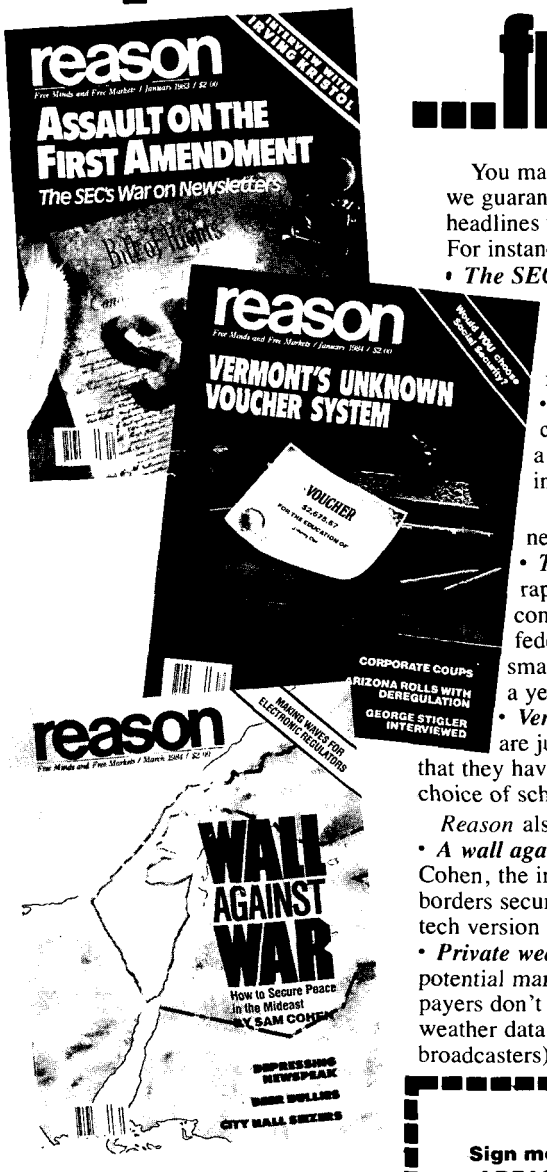
Expect the unexpected ...from reason



You may not agree with everything you read in *Reason*—but we guarantee you won't be bored. *Reason*'s editors look behind the headlines to dig out stories that don't even occur to other media. For instance:

- ***The SEC versus the First Amendment.*** For decades the Securities and Exchange Commission has been subjecting financial newsletters to licensing and censorship. Shortly after *Reason* blew the whistle, a federal court ruled that the SEC was violating the First Amendment.
- ***Defense rigs the tests.*** A detailed *Reason* exposé of conflict of interest in the testing of new weapons led to a "60 Minutes" broadcast and legislation to set up an independent testing office.

Reason's nose for news extends to little-noticed *good* news, as well. Among our recent discoveries:

- ***Towering entrepreneurs.*** Last year *Reason* discovered a rapidly growing industry—private firms that operate airport control towers for *half* what it costs the usual operator, the federal government. If private operation were extended to small airports alone, taxpayers could save *$60 million* a year.
- ***Vermont's vouchers.*** Most people think education vouchers are just a gleam in Milton Friedman's eye, but *Reason* found that they have been used in Vermont for decades, giving parents a choice of schools.

Reason also turns up provocative proposals for change:

- ***A wall against war for Israel.*** In this controversial article, Sam Cohen, the inventor of the neutron bomb, proposed making Israel's borders secure by means of a permanent radiation barrier—a high-tech version of an electric fence.
- ***Private weather forecasting.*** An economic journalist surveyed the potential market for weather forecasts and concluded that the taxpayers don't need to keep government in the business of providing weather data. Specific customers (airlines, shippers, newspapers, broadcasters) can and should pay for the information they value.

Who writes for *Reason*? Some of America's best writers and most incisive thinkers—including Tom Bethell, Edith Efron, James Oberg, Alan Reynolds, William Tucker, and Walter Williams, to name a few. It's no wonder a recent survey showed that *Reason* is America's fastest-growing magazine of ideas.

You can try *Reason* now at *50 percent off* the regular price—only $12 a year. Just send in the coupon—and start expecting the unexpected in *your* mailbox.

REASON, Box 28897, San Diego, CA 92128

Sign me up for a year of REASON.

☐ My $12 payment is enclosed.

☐ Please bill me for $12.

Charge my credit card.

☐ Visa ☐ Mastercard

Card Number _____

Exp. Date _____

Signature _____

YOUR NAME _____ (Please print)

ADDRESS _____

CITY _____ **STATE** _____ **ZIP** _____

Please allow six weeks for delivery. Add $8.00 if delivery is outside North America ($36.00 for airmail)
Canadians: Postal money orders in U.S. dollars only.

4019

America's fastest-growing magazine of ideas

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as an underpaid teacher about to gobble up the $1,000 bonus. "WOW! A $1,000 Supplement!!" the ad sneered. "All you have to do to receive an extra $1,000 per year under the Master Teacher plan is virtually give up tenure, agree to some kind of evaluation by your peers who have been labeled Master Teachers, and agree to a five year or less employment contract with your local school system. . . ."

Town without PTA

The tenor of this ad comfirms the judgment of Keel Hunt, Alexander's staff advisor on education, that "there would have been union opposition [to the evaluation plan] in any event." Still, the absence of a plan gave the TEA one more argument to use in its strategy of portraying teachers as victims, and helped dilute the grassroots support Alexander needed to fight his battle in the legislature.

In his 1978 campaign, Alexander says he found parents generally "inattentive to their schools"; just how inattentive, he now found out. As soon as he unveiled his reform package, Alexander appointed a 13-member staff to galvanize public support. Janice Shelby, an assistant commissioner at the state Department of Education, was assigned the task of mobilizing parents; David K. Wilson, former treasurer of the Republican National Committee, was instructed to raise money.

Wilson did fine; he raised $110,00 within the first ten days. Shelby's experience was dramatically different. After sending out mailings about the new incentive pay plan to many of the state's local Parent Teacher Associations, she tried to arrange informal meetings to explain the plan to members. Instead she would usually arrive to find that formal debates had been scheduled. Shelby would speak for "her side," and a union spokesman was ready to tell "their side." Sometimes her advance mailings were thrown out and never reached the membership. "Often the PTA local chairman turned out to be a teacher, and if that were the case, they were accepting mail only from the union," Shelby says.

These "discussions" often were "disasters," she recalls:"Sometimes there were 150 people, many of them teachers. If parents came at all, they were overshadowed by the teachers. The teachers were much more vocal. The parents were intimidated. They were leery to speak."

"I'd have thought the parents would be a strong advocate group for children," she says. "But it's just been 'listen to this side,' 'listen to that side,' and don't take a position." The PTA State Committee failed to endorse the plan until the following November; even then the PTA didn't register a lobbyist at the legislature to work on the plan's behalf.

Constance Elliot, state president of the PTA, claimed that policy decisions are a matter for school boards, not PTA's. Why haven't they spoken up? she was asked. A pause. "Maybe parents were concerned about how their child would be affected in school," she began. "You know, if word got back to. . . their teachers. . . ." She paused again. "Oh, that sounds so terrible," she said, adding that she knew of no specific incidents where children had been penalized because their parents took a stand in favor of the incentive pay plan.

School board members paint the same scene of apathy by parents and subtle pressure by the union. The Tennessee School Board Association endorsed only the concept of career ladders, but never any of the actual bills. Kent Weeks, president of the Nashville school board, which has jurisdiction over 10 percent of all the students in Tennessee, says his board never took a public stand on the plan. He also testifies to having felt pressure from his teachers. "Those teachers were very quick out of the gate, very clear, very opposed," he said. "And they are talking to parents, talking to school board members. After all, school boards employ teachers, and teachers are the essential ingredient that make schools work."

Soon Alexander and his staff had to concede they had miscalculated: there would be no grassroots support for his plan. "Legislators would talk as if their only constituents were the TEA," Alexander said. "They would tell me 'I've got 400 teachers. I've got to go hear from them.' I'd say, 'Well, you've got thousands of parents too.'"It was not an argument to which Alexander found the legislators receptive.

It was too late to plan a strategy to save the plan in the 1983 legislature. In April a committee vote shunted it aside for a year's study by a select committee. "There we were, a 13-member staff, $60,000 sitting in the bank, and a governor who was pretty frustrated," said Lavine. For all intents and purposes, the plan was dead. Alexander had suffered the worst defeat of his governorship.

Then he got a lucky break. It was just at this low point that the Reagan administration released the now-famous "Nation At Risk" report—a report that loudly applauded incentive pay plans. Alexander was quickly transformed from a bruised and defeated local reformer to a national

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celebrity, a crusader ahead of his time. Invitations poured in for him to appear on "McNeil-Lehrer," the "Today Show," "Nightline," and more. An editorial in *The Wall Street Journal* hailed him as one Republican governor who "has put his money where his mouth is."

Alexander and his staff shrewdly realized that this flurry of national attention might pay off with the legislators in Nashville. There was a chance "to educate them," as Lavine put it. Legislators who had seldom set foot outside of Tennessee soon found themselves being flown in the state plane to education conferences across the country. Representative Stephen Bivens, for example, a schoolteacher-turned-local banker from east Tennessee, a longtime TEA supporter, and chairman of the Select Committee studying the plan, was flown to conferences in Denver, West Palm Beach, San Antonio, Williamsburg, and New York City—to "present the views of the study committee."

Plans to convert the elusive Speaker of the House, Ned McWherter, were even more carefully orchestrated by the governor's staff. In May, he was hustled off to Raleigh, North Carolina, to attend a conference sponsored by the Education Commission of the States. There, he hobnobbed with governors Bob Graham of Florida and Jim Hunt of North Carolina, who had also proposed major school reform bills. In June, McWherter, a Democrat, found himself on a speaker's panel with President Reagan when the President visited a Knoxville high school and the two exchanged pleasantries about the future of American schools.

Hunt, Graham and others encouraged him to get interested in school reform, McWherter recalled later, pensively puffing on a long cigar, "Because it would be good for the South. That made me think this was an opportunity for Tennessee to really step out front in a bold way. I thought it was time to put partisan views aside."

But the TEA had its own battle plan. One of the union's major tactics was to shift attention away from issues like competency and evaluations, and to focus on stiffer standards for student teachers and the need for a pay increase. The union also made efforts to portray Alexander's plan as politically motivated, a thinly disguised step toward national office. The TEA criticized his having a Washington based public relations firm "that told him what to say," and charged that the petitions he had gathered with the names and addresses of citizens supporting him were really collected for use in later campaigns.

The TEA also selected a new "general," who in many ways was Alexander's match. Marjorie Pike was elected president of the union in July, soon after Alexander regained momentum. "I've seen her knock, scratch, and pinch," says McWherter, "but she's also practical and reasonable." Even Alexander admits to a begrudging admiration for her tenacity and political skills.

But the TEA's main strength, as always, lay in the legislature itself. Alexander had spent a lot of time cultivating Republican and Democratic leaders in the House and Senate; he didn't offer the same enticements to the less influential members, many of whom felt obligated to the TEA for years of political support. So this January, when Alexander decided to try and rush his plan through a special session of the legislature, Pike had her troops firmly in line. An informal head count revealed that Alexander was about 20 votes short of the number needed in the House to pass the crucial sales tax. It was at this point that McWherter helped engineer the compromises that diluted the major provisions of the plan but allowed Alexander to salvage the career ladder concept. Even so, the sales tax barely slipped through with a 52-45 vote in the House, and by a 19-13 margin in the Senate.

Alexander and his team had hoped that the group of "educated" legislators would carry the plan, even in the absence of grassroots support. But there were too many legislators who didn't hear from parents, not to mention voters who had no connection with the unions. Representative Bob Rochelle, a freshman, was typical; he says he was on the fence about the plan until the final vote. He then voted against it, in part, he says, "because I never detected a consensus from the local citizens."

Of course, considering the strength of the union, Alexander did win some important victories. Merit is now a recognized criterion for paying teachers. And with strong leadership, the new evaluation system, confused as it may seem, may prove superior to the current evaluation procedures.

Still, the experience in Tennessee is a vivid illustration of the obstacles awaiting reformers in other states who take on vested interest groups like the teachers' unions. Not every state has as persistent a school reformer as Alexander. And in some states, the teachers are even more powerful than they are in Tennessee. Politicians who are willing to take the considerable risks necessary to improve the schools must do more than educate people. They have to mobilize the public to fight alongside them. ■

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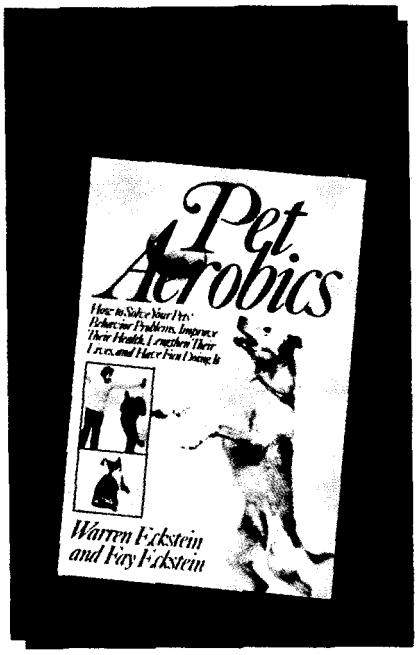
TIDBITS AND OUTRAGES

Charles Manson, for example, has committed only 15 years to his.

When Kathy Boudin, the former member of the Weather Underground, pleaded guilty to murder and armed robbery in the 1981 holdup of a Brink's armored car, her lawyer, Leonard Weinglass, described her 20-year sentence as "extraordinarily harsh." His reason: "Kathy has lived 12 years underground and now faces 20 years in prison. Thirty-two years is a longer commitment to ideals than most people ever make."



Asked to provide justification for bringing the documents back, the officers returned to Defense and got another memo, and then two other military officers were dispatched. . . .

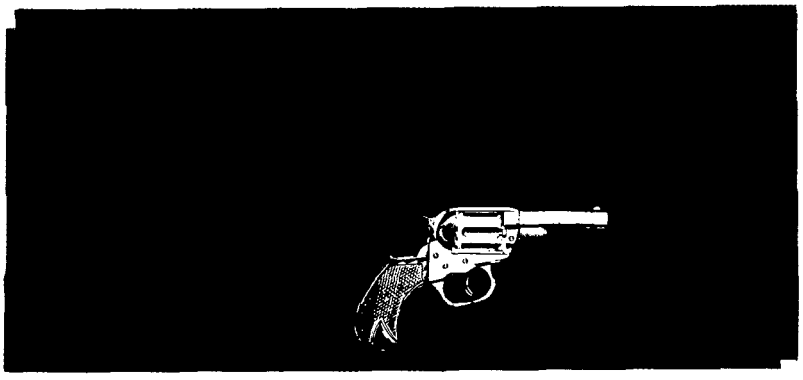
When the House Civil Service Subcommittee was to hold hearings on the Reagan administration's internal security program, the Department of Defense sent the subcommittee a memo arguing for tighter security. The memo was subsequently found to include classified information, and two military officers were dispatched to Capitol Hill to retrieve it.

Now he's working on a people's credenza and a Mao Tse-Tung memorial wet bar.

A Chinese peasant-entrepreneur named Guo Yuanying made a profit of $7,500 at his textile factory last year. He used the profit to become the first Chinese peasant to buy a light airplane.

"Uh, Francis," the editor said, "Love the piece. But about your lead. . . ."

Private Practice, a magazine for physicians, recently ran an editorial by Francis A. Davis, M.D., the magazine's publisher, arguing against a freeze on physicians' fees. The editorial began, "Recently, I attended the Winter Olympics in Sarajevo. . . ."



There's some dispute about whether cocoa butter expenses are deductible under section 572.

An organization called "Great American Tax Breaks" offers seminars held in Maui and Steamboat Springs where customers can meet with a "university professor, a Ph.D and CPA" to learn how to "maximize spendable cash and minimize taxable income." The courses cover such subjects as "Developing a tax vocabulary for communicating with your attorney and your CPA" and "How to benefit from business losses and expenses." The seminars are deductible under sections 162 and 212 of the Internal Revenue Code.

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THE STONING OF DONALD REGAN:

How I Set Off Washington's Great Gaffe Machine

For once, my heart goes out to the Reagan administration. Because its Secretary of the Treasury, Donald T. Regan, tried to make an important point in an honorable way, he was ground to pieces in the great "gaffe" machine of the Washington press corps.

My blood is boiling because I played a minor role in this episode and saw first hand how idiotic and unfair the attacks on Regan were.

It began on May 6, when Regan appeared as the guest on "Meet the Press." I was one of the reporters invited to ask him questions. This is not a role that falls to me with such frequency that I can afford to be blase about it. I tried to think up questions that the other reporters, who were more on top of the breaking news than I was, might overlook—and that would not reveal my ignorance of the latest minutiae about the Federal Reserve Board or the Argentine debt negotiations. One subject I had been boning up on was the federal budget, so when my turn came, I asked whether Ronald Reagan, in a second term, would attempt to control the four largest categories of federal spending—retirement benefits, medical programs, the military, and interest on the debt, which together account for more money than the government collects in taxes. In specific, I asked Regan whether he foresaw any further progress toward giving retirement benefits, especially Social Security, only to people in need."

Regan answered, in essence, yes. "I think we're going to have to revisit Social Security sometime in the late eighties. It hasn't been permanently fixed. What happened last year [the Social Security amendments] was something that was well done and good for the time. But it will not suffice for all time. I think we're going to have to revisit that and rethink why do we have Social Security and what is it for."

A few minutes later, Robert Abernethy of NBC news asked Regan what he meant when he talked about "rethinking" the program. Regan said, "When Social Security was started, about 50 years ago, it was intended merely to help people who would be destitute when they were older. Today, regardless of what a person receives in the way of a pension from the corporation from which he is retiring and the like, or how much they've saved or how much wealth they have, they still get Social Security. Question: Is that justifiable in this day and age, when again we're facing such mammoth cost in the Social Security system?"

Abernethy shot back, "I assume, from the way you put it, you think it's not [justifiable.]" Regan said, "It's something we're really going to have to study. Certainly at the lower end of the scale we shouldn't do anything to Social Security. But at the upper end, we've got to reexamine it."

Are you talking about a means test for Social Security? asked Irving R. Levine of NBC. No, Regan said. "But I think that somewhere along the line, at some cutoff point, we may well want to say, Well, why does such a person as that really have Social Security."

When the show was over, Regan affably said, "Well I gave you fellas some news today." "About Social Security!" someone said. "No, no—I meant about the tax hearings," Regan replied with the first trace of worry in his voice, referring to something he had said that was technically "news" but of little moment. But at this point, he was still unconcerned enough to elaborate on his view of Social Security. When you have to cut the budget somewhere, he said, shouldn't you start with people who don't need public help? He named several rich, prominent Republicans and asked, Why should they be getting Social Security?

Good question, I thought. One of the other reporters answered Regan, "Because [the rich Republicans] paid into it." Regan began explaining how little they'd actually contributed over the years, compared to the benefits they would be receiving. At that point, his PR man, sensing the drift of things, started moving him toward the door.

I left thinking more highly of Regan than I had an hour before. Part of this, I confess, was the natural esteem in which we hold people who think the same things we do. Usually, when asking questions of politicians, you hear answers that have little to do with the point you want to explore; but in this case, Regan seem-

James Fallows is Washington editor of The Atlantic *and a contributing editor of* The Washington Monthly.

BY JAMES FALLOWS

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ed to be responding to exactly the issue I was trying to raise. If the population is aging—so that fewer workers will be paying taxes, and more retirees will be drawing benefits—how do we adjust our retirement plans? Do some people have a greater moral or political claim to public support than others?

The conventional-wisdom, Claude-Pepper-type answer to the first question is that we make adjustments only by raising the tax rates; and to the second, that everyone has an equal and indistinguishable right to Social Security benefits, since everyone has "paid into the system." Comforting and familar those answers may be, but they allow the Claude Peppers of the world to overlook how regressive and unfair the current system has become. The payroll tax, ceaselessly jacked up, places a proportionately heavier burden on low-wage earners and small business than on stockbrokers and lawyers. The benefit structure, which gives the greatest benefits to those with the highest lifetime earnings, leaves many Social Security recipients without the money for a decent retirement. Those over 65, as a class, now have about the same income distribution as the rest of the population—which means that some of them are quite comfortable and others (especially single women) wrap themselves in newspapers in the winter to save on the heating bill. Can't we make ethical distinctions between, say, a retired president and a retired maid, if we have to save money somewhere in the system?

And aren't such distinctions all the more justified if, as is now the case, Social Security constitutes a windfall profit for everyone who receives its benefits? Because Social Security taxes were so low for so long, and because federal indexing formulas were so generous, almost everyone who has retired on Social Security has taken out far more money from the system than he and his employer had ever contributed. James Capra and Peter Skaperdas of the Federal Reserve Bank of New York have demonstrated that a man who retired this year at age 62, after earning the average wage for all his working life, would receive through his retirement years more than twice the amount he and his employer had contributed plus the accumulated interest. Social Security has become an enormous national chain letter. If we could continue to afford it—if productivity were rising so quickly or if we let millions of new immigrants into the tax-paying work force each year—there might be nothing wrong with such an arrangement. But since we can't afford it, don't we need to start distinguishing between Averell Harriman's right to Social Security and Ma Joad's?

Such, at least, were my thoughts—and, as far as I could tell, those of Donald Regan. Some people, after careful consideration, might not find them persuasive—but a large number never hear them at all, because most politicians are terrified of the issue. Within 48 hours of his appearance on "Meet the Press," Donald Regan came to understand why.

Regan's comments made the front pages of the major newspapers, but what began as a perhaps-controversial *idea* was transformed into a mistake, a blunder, a "gaffe." Political reporters, as a class, know and care more about the politics of an issue than about the issue itself, and their natural instinct was to look right past the substance of Regan's comments, so they could start handicapping its effects on the political horse-race.

The most egregious example was a story by Spencer Rich in *The Washington Post.* On the front page, under a headline reading "REGAN'S BENEFIT-CURB REMARK BLASTED," Rich led with this paragraph:

"Democrats strongly criticized Treasury Secretary Donald T. Regan for suggesting that it may be necessary to curb the Social Security benefits of higher-income recipients before the end of the decade, and the White House speedily distanced itself from the politically explosive idea."

There followed quote after predictably denunciatory quote from Democrats such as Robert Byrd, Dan Rostenkowski, Claude Pepper, and even a man who presumably knows better, Daniel Patrick Moynihan ("It risks undermining the universal support our nation's social insurance program now enjoys.") The Republicans were backpedaling away from Regan too, disavowing all intentions of doing the awful thing he had so foolishly mentioned. It was, in short, another political gaffe, like Gerald Ford's comments about Poland or Jimmy Carter's about "ethnic purity," interesting only for the political damage it might do—certainly not as a plausible idea. Not a word in Spencer Rich's story hinted at the possibility that Regan's comments could be anything other than a lamentable blunder. Rich did not even touch the substance of Regan's proposal until the very last paragraph, in which he quoted Robert Ball, a former Social Security commissioner, as "attack[ing] Regan's idea... on practical grounds" as opposed to all the other people he quoted, who attacked it on political grounds. To his mild credit, Francis X. Clines, who wrote the counterpart front-page "gaffe" story in *The New York Times*, took a little more care to explain the demographic and financial background to Regan's remarks.

Where is the damage to anyone except Donald Regan, who is presumably big enough to take it? "Gaffe" coverage debases everything about politics. It leaves—or should leave—politicians and reporters embarrassed and readers suspicious. When Robert Byrd says, as he did to Spencer Rich, that "trusting the Reagan administration to protect Social Security after the November election is like hiring a self-professed pyromaniac to guard your firewood," he is indulging in scare politics. When the Spencer Riches of the press corps seek out this, and only this, sort of demagoguery, they practice scare journalism. Claude Pepper may believe that Social Security is perfect in every way, but opinion polls show that most of the public recognizes its basic problems. With leadership that explained the facts, they would see the distinction between the Harrimans and the Joads. But, with journalists like Rich and politicians like Pepper intimidating people like Regan, where is the leadership we need to solve these problems going to come from? ■

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POLITICAL BOOKNOTES

Interpreting Elections. Stanley Kelley. *Princeton, $8.95.* This book on political polling fails to live up to its promise, but it makes one intriguing argument: the election of 1980 was a landslide produced by "weakly committed voters." It may be that there was a new conservatism, or a new militarism, or some other overriding concern in the land. But whatever patterns there were were *weak* patterns.

The strength (or weakness) of the relationship between the electorate and the elected can be more important than simple figures on who won, and by how much. After all, even when we confront a landslide for a Reagan, or a Nixon or Johnson, we are really talking about the differences of a few percentage points which, when distributed uniformly across the country, can produce a revolution in House and Senate majorities and a 90 to 95 percent majority of electoral votes. Such apparent landslides can wash away fast where convictions of voters are weak.

Kelley's data suggest that there has been a steady decline in the strength of voter commitment from Eisenhower's election in 1956 through 1980. In 1952, 7.3 percent of those polled chose candidates in terms of the "lesser evils." By 1976, 20 percent were choosing candidates that way. The victorious Eisenhower had a "credit rating," Kelley writes, of 1.42. The landslide election of 1972 left President Nixon with a credit rating of .53. Carter began his 1977 administration with a credit rating of .29. Although Kelley does not give a similar rating for Reagan after the 1980 election, he implies that voter commitment was no more intense toward him than toward Carter.

—*Theodore Lowi*

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Caveat. Alexander Haig. *Macmillan, $17.95.* A valuable antidote to conventional courses in American government that delude students into thinking that the secretary of state is in charge of foreign policy. This book reeks of the reality of Haig's anxiety and sweating palms over what the boys at the White House—mainly, Baker, Deaver, Meese, and later Clark—were doing behind his back and his continuing doubt as to whether he was really in control or not.

—*Charles Peters*

Democracy. Joan Didion. *Simon and Schuster, $13.95.* Didion's point that liberal "do-gooders" are to blame for the problems in the Third World and that sensible conservative patriots like Reagan are merely acting to bail them out is not new. It is a message that you may or may not agree with. The real problem is that it hardly matters as most of this novel is simply *beside* the point. What's good about *Democracy* is that Didion has the precious cultural pretensions of the upper-middle classes down to a tee in her portrayals of Harry Victor, the Kennedysque liberal senator who wants to be president, and his lovely, fragile wife Inez Victor, whose life of privilege has so robbed her of imagination she has "come to view most occasions as photo opportunities."

Read *Democracy* for Inez. Read it for the travel tips. If Inez went there you know it must be divine. But don't read it expecting any revelations about democracy.

—*Mairi N. Morrison*

Marrying Up: An American Dream & Reality Why Some Make It Into the Inner Circle and Others Never Will. Joanna T. Steichen. *Rawson, $13.95.* The title of this book is a tease. There is actually very little advice on how to marry up, and Steichen, a psychotherapist and widow of photograper Edward Steichen, has an edge of disdain for anyone who makes marrying up a quest.

After references to Jane Austen and Henry James to establish her serious intent, Steichen spends most of the book explaining at dull length how "marrying up" means different things to different people and describing the style of living various degrees of wealth offer.

Her hardcore gold-digging advice consists of suggestions such as, attend horse shows, or hang around the dock at private marinas. She also recommends finding the richest person at school or work and giving that person compliments: "You do such wonderful things with a simple scarf," or "That flower arrangement comes from the palette of an angel." If this doesn't send you barreling down the aisle with a Rockefeller, Steichen offers instructive case histories of people who have married up written in a sort of Cosmo-with-a-Ph.D. style.

In the end she does provide some common sense ideas about marrying—namely stop worrying about marrying up and get involved in a job you like, do

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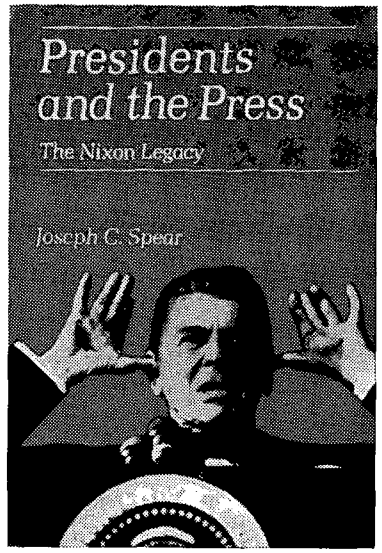

Presidents and the Press

The Nixon Legacy
Joseph C. Spear

Washington journalist Joe Spear tells the fascinating and chilling story of how news reaches–or doesn't reach–our newspapers and television screens. He outlines the strategies of the spokesmen, pollsters, image merchants, TV experts, media monitors, and "enforcers" on the media teams who have increasingly attempted to manipulate the press and manage the news so that it reflects favorably on the president.

"The book is a gold mine of never-before-told inside stories, shocking scandals, and entertaining anecdotes–some hilarious, some frightening, all interesting, which together give us the incredible account of how the government routinely deceives, misleads, and lies to the public and the press."–Cleveland Amory*

"After reading this book, you will know a great deal more about how little the president, any president, wants you to know and about how skillfully the president's men manage too much of the news."–Nat Hentoff
$19.95

The Spot

The Rise of Political Advertising on Television

Edwin Diamond and Stephen Bates

This lively history of the short political commercial that has become the dominant form of persuasion in America's political campaigns covers the launching of John Glenn, Ike, Nixon's "Checkers," "Johnson's infamous "Daisy" spot; Gerald Ford's "Feelin' Good About America" series; the "Lifestyle Campaign"; "Prime-Time President," and much more.

Diamond and Bates interview the chief media practitioners and political marketers, noting the effects of their handiwork on the outcome of candidates' efforts. Scores of storyboards and illustrations from key campaigns are analyzed according to the authors' original classification of polispot techniques.
$17.50 illus.

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volunteer work, develop your talents, and cultivate a variety of friends. Anyone who successfully follows this advice, however, runs the risk of becoming the object of someone else's search for marital advancement.

—Emily Yoffe

The Other Side of the Story. Jody Powell. *William Morrow. $ 15.95.* Powell's indictment of Washington journalism is generally correct and well worth reading. But his book is marred by his modest aptitude for self-criticism—the press *was* too cynical about Carter, but often the cynicism had understandable roots in the behavior of Jody Powell and his boss. Their sins are not only not emphasized in this book, they are seldom even mentioned.

—Charles Peters

The Power to Lead: The Crisis of the American Presidency. James MacGregor Burns. *Simon and Schuster, $17.95.* Burns would like to restructure the government along more parliamentary lines. One of his proposals is a "team ticket" for president, senator, and congressman, under which they would run together as the president and vice president do now. Another is an end to the "separation of powers" restriction on senators and congressman belonging to a presidential cabinet. Both proposals recognize that in an age when we ask more of our government than ever before, the system of checks and balances can be an impediment to our national welfare.

—Timothy Noah

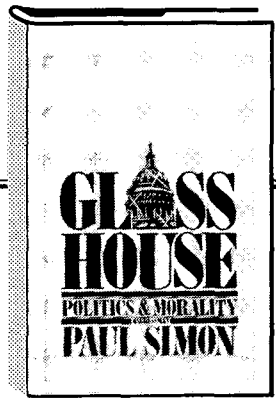
Sex & Destiny. Germaine Greer. *Harper and Row, $19.95.* The developed world, according to Greer, has discovered a new religion: sex. The first commandment of this modern religion is "Orgasms Not Babies." Reproduction has become a way to have an orgasm and children are but a byproduct. Westerners have become so Me-focused, so selfish, that children are barely tolerated. They are, after all, parasites. They divert precious time from our careers. They lower our standard of living. Sometimes they even write in crayon on our kitchen walls. Who needs 'em?

Greer's major argument is that Western society is pushing its screwed-up Malthusian views onto underdeveloped countries, where babies are still made because they are wanted, not just because they are affordable. The reason Westerners are promoting birth control in these Third World countries, Greer says, is the same reason they're having fewer babies themselves; Third World babies threaten the Western standard of living just as much as First World babies do.

Greer sometimes contradicts herself. For example, she questions the safety of the pill, only to later admonish the Japanese government for outlawing and thereby depriving women of a "safe" form of contraception. Regardless, she makes a lot of credible challenges to the reasons we practice and promulgate birth control.

—Teresa Riordan

An insider's unsparing view of Washington morality.



The Glass House

Politics and Morality in the Nation's Capital

Paul Simon

"Those of us in political life," writes Congressman Paul Simon, "live in a glass house. The spotlight shines on it and what you see is not always pleasant. This book is an attempt to tell you something about those of us in that glass house, about the struggles we go through—or should go through." Simon candidly probes such issues as the use of money and time, campaign promises, relations with the media, the "god" of public opinion, and personal behavior vs public service.

Paul Simon, Democratic congressman from Illinois, has also authored *The Once and Future Democrats* and *The Tongue-Tied American*.
192 pages $14.95

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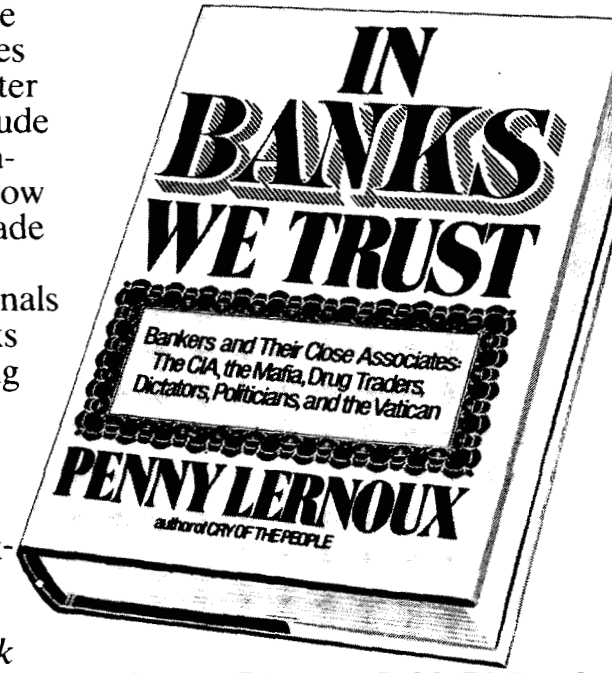

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"We're turning ugly duckling crude oil into high-quality gasoline."

"You might say there are two ugly ducklings in the petroleum world," says John Paraskos, who is the Program Manager for Refining Process Research and Development at Gulf.

"One of them is the thick, tarry stuff left over after you refine gasoline and diesel fuel out of crude oil. These leftovers are called residual bottoms, and until recently they weren't good for much except making asphalt pavement.

"The other type is oil that comes out of the ground so thick and laden with impurities that it's virtually unrefinable. It's called heavy sour crude, and there's a lot of it in America.

"Fortunately, at Gulf we have found ways to make better use of heavy sour crude and residual bottoms in our refineries.

"Modifications to our fluid catalytic cracking units, and new catalyst developments, have allowed us to transform increasing amounts of these tarry residual materials into high-quality gasoline and diesel fuel.

"In addition, Gulf has developed a special process, hydrodesulfurization, to clean up dirty sour crude oils, and Gulf provides licenses to other refiners who want to use the process.

"These are two good, practical ways of getting valuable fuels from sources we were never able to use before."

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